SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1965

No. 73

UNITED STATES, Appellant,

vs.

GRINNELL CORPORATION, ET AL.

No. 74

GRINNELL CORPORATION, Appellant,

vs.

UNITED STATES

No. 75

AMERICAN DISTRICT TELEGRAPH COMPANY, Appellant,

vs.

UNITED STATES

No. 76

HOLMES ELECTRIC PROTECTIVE COMPANY, Appellant,

vs.

UNITED STATES

No. 77

AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Appellant,

vs.

UNITED STATES

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

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No. 227—Memorandum from ADT District Sales Manager E. J. Heisley to ADT General Sales Manager L. J. O'Brien, captioned, Competition (rumored) Philadelphia, Pennsylvania, dated October 22, 1957	2815	2043
No. 228—ADT central station protection service Contract Forms for Watchman's Reporting and Manual Fire Alarm Service, Automatic Fire Alarm Service, Sprinkler Supervisory and Waterflow Alarm Service and Burglary and Holdup Protection Service	2818	2047
No. 229—Memorandum from ADT District Sales Manager C. L. Chafee to ADT Vice President A. E. Smith, captioned, Regional Sales Conferences and District Sales Meeting 1955, dated February 18, 1955	2822	2055

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
GOVERNMENT'S EXHIBITS—Continued		
No. 230—Memorandum from ADT Controller C. G. Eicker to ADT First Vice President J. A. MacDonald, captioned, Tampa, Florida, dated September 11, 1961	2823	2057
No. 231—Memorandum from ADT Vice President J. A. MacDonald to ADT Controller C. G. Eicker, captioned, Advance Service Charge for Sprinkler Supervisory and Waterflow Alarm Services, dated August 5, 1953	2828	2063
No. 232—Memorandum (unsigned) entitled, Charges Proposed by Commercial Department for all types of Sprinkler Supervisory and Waterflow Alarm Service and Waterflow Only Service (not dated)	2829	2064
No. 233—Memorandum from ADT Controller C. G. Eicker to ADT First Vice President J. A. MacDonald, captioned, Rate Development, dated July 18, 1958	2833	2069
No. 234—Memorandum from ADT Controller C. G. Eicker to ADT First Vice President J. A. MacDonald, captioned, Rate Development, dated August 30, 1956	2835	2070
No. 235—ADT Tabulation (unsigned) entitled, Proposed Revision in Advance Service Charges 8/28/56	2837	2074
No. 236—Annual Report of the Holmes Electric Protective Company and Subsidiaries for the year 1960 (excerpts)	2840	2075
No. 237—Memorandum from ADT Commercial Superintendent E. O. Betscher to ADT General Commercial Manager A. E. Smith, dated May 25, 1951	2845	2076
No. 238—Memorandum from ADT President E. Gaston to ADT General Sales Manager R. Brechbill, captioned, Owl Protective Company, Long Island City, N.Y., dated November 7, 1962	2847	2079
No. 239—Memorandum for File by ADT Vice President AES, captioned, Competition, Call's Police Signal Co., Chelsea, Massachusetts, dated July 26, 1956	2848	2080
No. 240—Memorandum from ADT General Sales Manager L. J. O'Brien to ADT District Sales Manager A. S. Jacks, captioned, Competition, Buffalo, New York, dated September 8, 1959	2850	2082

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Government's Exhibits—Continued		
No. 241—Memorandum from ADT District Sales Manager R. T. Warner to ADT General Sales Manager L. J. O'Brien, captioned, Cole-Hersee Company, South Boston, Massachusetts, dated September 29, 1958	2851	2082
No. 242—Memorandum from ADT Sales Representative G. V. Roach to ADT Assistant to General Sales Manager R. Brechbill, captioned, Quality Wool Quilting Corp., Astoria, New York, dated August 8, 1961	2853	2084
No. 243—Memorandum from ADT District Sales Manager E. J. Heisley to ADT Special Representative H. E. May, captioned, Bellevue Stratford Hotel and Benjamin Franklin Hotel, Philadelphia, Pa., dated September 23, 1960	2854	2085
No. 244—Memorandum from ADT Sales Representative R. F. Michiel, Sr., to ADT District Sales Manager E. Turnbull, captioned, Request for Competitive Quotation to Secure Agreement for SS & WFA with a new Subscriber, Milwaukee Forge and Machine Company, dated July 2, 1959	2855	2086
No. 245—Memorandum from ADT District Sales Manager R. T. Warner to ADT General Sales Manager L. J. O'Brien, captioned, Raymond's, Inc., South Boston, Mass., dated August 9, 1958	2857	2088
No. 246—Memorandum from AFA Commercial Representative J. J. Way to AFA Vice President L. W. Thomason, captioned, Morris Fishman & Sons, Inc., Philadelphia, Pa., dated November 13, 1957	2859	2090
No. 247—Memorandum from ADT Special Representative F. E. Miller to ADT District Sales Manager E. Turnbull, captioned, Continental Can Company, Milwaukee, Wisconsin, dated March 20, 1959	2860	2091
No. 248—Memorandum from ADT Sales Representative A. A. Balestrino to ADT District Sales Manager A. S. Jacks, captioned, Hyde Park Lumber Co., Cincinnati, Ohio, dated July 28, 1960	2862	2092
No. 250—Memorandum from ADT District Sales Manager E. J. Heisley to ADT General Manager L. J. O'Brien, captioned, Nationwide Safti Brake Co., Falls Church, Virginia, dated April 17, 1959	2863	2094
No. 251—Memorandum from ADT Sales Representative C. J. Lawson to ADT District Sales Manager D. R. Hall, dated January 14, 1958	2865	2096

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
GOVERNMENT'S EXHIBITS—Continued		
No. 252—Memorandum from ADT First Vice President J. A. MacDonald to ADT President E. Gaston, captioned, Malcolm Goldstone, Owl Protective Co., dated February 9, 1962	2866	2097
No. 253—Memorandum from ADT District Sales Manager J. K. Swanson to ADT General Sales Manager L. J. O'Brien, captioned, Wright-Bachman, Inc., Indianapolis, Indiana, dated September 11, 1961	2869	2099
No. 254—Memorandum from ADT Sales Representative W. J. King to ADT Special Representative H. E. May, captioned, Philco Distributors, Inc., Milwaukee, Wisconsin, dated February 18, 1960	2870	2100
No. 255—Memorandum from ADT Sales Representative B. W. Henke to ADT Executive Accounts Representative F. J. Concannon, captioned, American Brass Company, Cleveland, Ohio, dated April 19, 1956	2872	2101
No. 256—ADT General Instructions No. 77, entitled, Contract Procedures, issued July 11, 1960	2874	2103
No. 257—Memorandum from ADT Special Representative J. R. Norris to ADT Commercial Superintendent C. L. Chafee, captioned, National Can Corp., Cleveland, Ohio, dated July 23, 1954	2878	2110
No. 258—Memorandum from ADT Sales Representative S. J. Sievers to ADT Executive Accounts Representative H. Schultz, captioned, Foley's, Houston, Texas, dated September 22, 1960	2879	2112
No. 259—Memorandum from ADT Sales Representative J. P. Dunn to ADT National Accounts Representative F. J. Concannon, captioned, Johns-Manville Corp., Los Angeles, California, dated June 18, 1958	2880	2113
No. 260—Letter from A. F. Greenwood of Government Employees Exchange, Inc., to D. R. White, Albany Protective Service, Albany, New York, dated August 7, 1961	2881	2114
Exhibit Volume IV		
No. 261—Memorandum from ADT Manager, Field Service Division, R. Brechbill to ADT General Manager of Sales Production L. J. O'Brien, captioned, Procter & Gamble Company, Cincinnati, Ohio, Cleveland District National Account, dated September 1, 1955	2882	2115

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
GOVERNMENT'S EXHIBITS—Continued		
No. 264—Memorandum from ADT Sales Representative J. D. Patton to ADT Executive Accounts Representative F. J. Concannon, captioned, Franklin's, Dallas, Texas, dated December 12, 1956	2884	2117
No. 265—Memorandum by ADT Vice President A. E. Smith to File, captioned, Renewal Agreement, R.K.O. Pictures, Los Angeles, California, dated June 29, 1956	2885	2118
No. 266—Memorandum from ADT District Sales Manager R. T. Warner to ADT General Sales Manager L. J. O'Brien, captioned, The Van Heusen Charles Co., Albany, New York, dated June 25, 1959	2886	2119
No. 267—Memorandum from ADT Special Representative H. E. May to ADT Executive Accounts Representative F. Concannon, captioned, American Sugar Refining Company, Philadelphia, Pennsylvania, dated December 12, 1961	2887	2120
No. 268—Contract agreement for Alarm Engineering Service of the Dayton Electronics Alarm and Signal Co., 530 West Second Street, Dayton 2, Ohio	2889	2121
No. 269—Memorandum from ADT Special Representative H. E. May to ADT Executive Accounts Representative F. J. Concannon, dated January 18, 1960 (excerpts)	2891	2123
No. 270—Memorandum from ADT Special Representative H. E. May to ADT Sales Representative F. Shadell, captioned, Swern & Company-Lit Brothers, Trenton, dated January 5, 1962	2897	2124
No. 271—Memorandum from ADT District Sales Manager E. J. Heisley to ADT General Sales Manager L. J. O'Brien, captioned, City Stores, Inc., Philadelphia, Pa., dated January 19, 1960	2898	2125
No. 275—Memorandum from ADT District Sales Manager L. M. De Shane to ADT General Sales Manager L. J. O'Brien, captioned, Ralston Purina Company, Various Locations, U.S.A., dated March 4, 1957	2901	2128
No. 276—Annual Report of the American District Telegraph Company for Fiscal Year 1953 (excerpts)	2903	2129

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
GOVERNMENT'S EXHIBITS—Continued		
No. 277—Letter from ADT Vice President J. A. MacDonald to Grinnell Secretary and Counsel R. T. Clapp, dated July 2, 1953	2915	2132
No. 278—ADT General Circular No. 222, entitled, Direct-Connected Fire and Burglar Alarm Service, signed by ADT Vice President A. E. Smith, dated April 27, 1955	2918	2135
No. 279—Memorandum from ADT General Commercial Manager A. E. Smith to ADT Commercial Superintendent C. L. Chafee, captioned, Competition—Automatic Fire Alarm Systems, Columbus, Ohio, dated March 9, 1953	2924	2149
No. 280—Memorandum from ADT Assistant Director of Public Relations R. M. Bugbee to ADT Director of Public Relations A. W. Sullivan, captioned, Proposed Ordinance—City of Newark, dated December 20, 1962	2928	2153
No. 281—Memorandum from ADT District Sales Manager E. J. Heisley to ADT General Sales Manager L. J. O'Brien, captioned, Competition, Atlanta, Georgia, dated September 15, 1955	2934	2157
No. 282—Memorandum from ADT Assistant Commercial Superintendent, W. K. Francis to ADT General Commercial Manager A. E. Smith, captioned, Regional Conferences, June 4-6 and 18-20, 1953, Competition District No. 9, dated June 9, 1953 (excerpts)	2936	2159
No. 283—Memorandum by Holmes Sales Manager, C. K. Empringham to File, captioned, Malcolm Goldstone, Central Office Alarm Company, dated April 5, 1962	2941	2163
No. 284—Letter from Holmes President H. C. Ward to Grinnell Secretary and Counsel R. T. Clapp, dated September 25, 1952	2942	2164
No. 285—Memorandum from ADT General Commercial Manager A. E. Smith to ADT Commercial Superintendents, captioned, Proprietary Systems, dated October 5, 1963 (excerpts)	2949	2171
No. 286—ADT Pamphlet reporting on ADT Protection Service for 1960 (excerpts)	2965	2173
No. 287—Memorandum from ADT First Vice President J. A. MacDonald to ADT President E. Gaston, dated June 6, 1957	2970	2178

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Government's Exhibits—Continued		
No. 288—Minutes of Meeting of the Burglary Rating Committee of the National Bureau of Casualty Underwriters, April 25, 26, 27, 1950	2972	2181
No. 289—Letter from Holmes President H. C. Ward to Grinnell Secretary & Counsel R. T. Clapp, dated October 10, 1952	2974	2184
No. 291—ADT Leaflet entitled, Astute Business Executives are Constantly Proving that it Pays 2 Ways to Protect Property Automatically, Better Protection and Lower Cost	2977	2187
No. 292—Memorandum from ADT Associate Director of Diversification & Expansion G. E. Friedli to ADT Director of Diversification & Expansion J. J. Stephens, captioned, San Jose Peninsula Survey, dated November 28, 1956	2978	2189
No. 294—Memorandum from ADT Commercial Superintendent C. L. Chafee to ADT General Commercial Manager A. E. Smith, captioned, Competition—Cincinnati, Ohio, dated September 2, 1954	2981	2191
No. 295—Memorandum from ADT President E. Gaston to ADT Vice President A. E. Smith, captioned San Diego, California, dated October 25, 1957	2982	2192
No. 296—ADT Acquisition Agreement of the United Electric Service Company, New York, New York, dated July 21, 1931 (excerpts)	2983	2193
No. 297—ADT Acquisition Agreement of the Auxiliary Fire Alarm & Telegraph Co., Philadelphia, Pennsylvania, dated March 26, 1930 (excerpts)	2986	2194
No. 298—AFA central station protection Service Contract forms	2995	2199
No. 299—Memorandum from AFA Vice President F. D. Chase to AFA President T. P. Drew, captioned, Competition, dated September 4, 1958	2998	2203
No. 300—Memorandum from ADT Sales Representative J. J. Viscarde to ADT Assistant to General Sales Manager J. B. Bodley, captioned, Ivers-Lee, Newark, New Jersey, dated June 16, 1960	3000	2205
No. 302—Memorandum from ADT Government and Special Sales Division Manager J. O. Maxey to ADT General Sales Manager L. J. O'Brien, captioned, Competition, Owl Protective Company, New York, New York, dated May 17, 1960	3001	2206

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Government's Exhibits—Continued		
No. 303—ADT Leaflet, entitled, Municipalities Served by ADT Central Stations	3003	2208
No. 304—List of Approved Central Station Protection Service Companies which were listed by Underwriters Laboratories, Inc., on December 31, 1961	3007	2216
No. 305—Underwriters Laboratories, Inc. list of approved central station protection companies with the effective listing date	3011	2222
No. 306—Letter from A & P Transport, Inc., President E. G. Snow to Joseph Forman, Call's Police Signal Corporation, Chelsea, Massachusetts, dated July 9, 1959	3018	2228
No. 307—Holmes central station protection service contract forms	3019	2229
No. 308—Stipulation No. 1, Stipulation as to the authority of the documents offered into evidence by Plaintiff	3022	2235
No. 309—Stipulation No. 2, Stipulation as to the volume of commerce across State and District of Columbia lines	3058	2260
No. 310—Stipulation No. 3, Relative market position of central station protection service companies in Underwriters Laboratories, Inc., Certificated central station burglar alarm service	3062	2263
No. 311—Stipulation No. 4, Relative market position of alarm companies in Underwriters Laboratories, Inc., certificated local burglar alarm service	3064	2264
No. 312—Stipulation No. 5, Relative market position of central station protection service companies in the approved station protection service business in the United States	3067	2266
No. 313—Designation of answers of the American District Telegraph Company to interrogatories propounded by Plaintiff (excerpts)	3082	2279
No. 314—Designation of answers of the Holmes Electric Protective Company to interrogatories propounded by Plaintiff	3110	2301
No. 315—Designation of answers of the Automatic Fire Alarm Company of Delaware to interrogatories propounded by Plaintiff	3129	2318
No. 316—Designation of answers of the Grinnell Corporation to interrogatories propounded by Plaintiff	3149	2337
No. 317—Excerpts of deposition testimony of George F. Allebach, Sr., Insurance Rating Bureau of the District of Columbia	3167	2353

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Government's Exhibits—Continued		
No. 318—Excerpts of deposition testimony of Emerson M. Booher, Dayton Electronics Alarm & Signal, Inc.	3238	2392
No. 319—Excerpts of deposition testimony of James H. Bray, Alarm Signal Company of Texas	3284	2418
No. 320—Excerpts of deposition testimony of John D. Brosnan, Federal Engineering Company, Inc.	3315	2432
No. 323—Excerpts of deposition testimony of Eugene Curran, Robinson Protective Alarm Company	3439	2488
No. 324—Excerpts of deposition testimony of Clarence S. Damon, Damon Alarm Corporation	3457	2497
No. 325—Excerpts of deposition testimony of Clifford T. Davis, Protection Engineering Corp.	3498	2517
No. 326—Excerpts of deposition testimony of James W. Flotron, Potter Electric Signal Co.	3550	2545
No. 328—Excerpts of deposition testimony of Joseph Forman, Owl Protective Company, General Burglar Alarm Company	3723	2627
Exhibit Volume V		
No. 329—Excerpts of deposition testimony of Malcolm Goldstone, Central Office Alarm Company, Inc.	3778	2647
No. 330—Excerpts of deposition testimony of Malcolm Goldstone, Owl Protective Company, General Burglar Alarm Company	3895	2705
No. 331—Excerpts of deposition testimony of Harold W. Gray, American Burglar Alarm Co. (Pacific Extinguisher Co.)	3955	2735
No. 333—Excerpts of deposition testimony of Sarah E. Jackson, Denver Burglar Alarm Company	4043	2786
No. 334—Excerpts of deposition testimony of Edward J. Lavino, Sentinel Alarm Corporation	4142	2841
No. 336—Excerpts of deposition testimony of Thomas M. Lewin, Automatic Alarm Corporation	4170	2854
No. 337—Excerpts of deposition testimony of Gerald J. Linder, American Fire Dispatch, Inc.	4233	2879
No. 338—Excerpts of deposition testimony of Thomas L. Lugen, Fidelity Electronic Protective Service	4253	2888

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Government's Exhibits—Continued		
No. 339—Excerpts of deposition testimony of James H. McDowell, Central Station Signals, Inc.	4280	2897
No. 340—Excerpts of deposition testimony of Kenneth S. McFarlan, Jr., Republic Alarm Company	4341	2919
No. 341—Excerpts of deposition testimony of Peter J. Neumann, Albany Protective Service	4389	2933
No. 342—Excerpts of deposition testimony of Ephraim B. Oberlander, Protection Alarms, Inc.	4414	2943
No. 343—Excerpts of deposition testimony of Arthur T. Orner, Morse Signal Devices, Inc.	4461	2961
No. 345—Excerpts of deposition testimony of Shelton Phillips, Potter Electric Signal Company of Ohio	4501	2974
No. 346—Excerpts of deposition testimony of Donald D. Pillsbury, National Bureau of Casualty Underwriters	4527	2980
No. 347—Excerpts of deposition testimony of Henry J. Poile, Kedzie-Kane Alarm Co.	4558	3004
No. 348—Excerpts of deposition testimony of Charles C. Porch, Factory Mutual Rating Bureau	4599	3019
No. 349—Excerpts of deposition testimony of Walter W. Richardson, American Alarm Company, Inc.	4621	3027
No. 351—Excerpts of deposition testimony of James E. Rose, Michigan Still Alarm Co.	4647	3035
No. 352—Excerpts of deposition testimony of George W. Saunders, Underwriters Laboratories	4730	3069
No. 355—Excerpts of deposition testimony of George A. Smith, Smith Detective Agency & Nightwatch Service	4755	3079
No. 356—Excerpts of deposition testimony of Maurice G. Sondock, McCane-Sondock Detective Agency	4796	3102
No. 357—Excerpts of deposition testimony of Sidney Stackler, Central Watch Service	4819	3113
No. 358—Excerpts of deposition testimony of Lee C. Underdown, Central Alarm Company	4924	3152
No. 359—Excerpts of deposition testimony of Lyle and Joe Underdown, Central Alarm Company	4934	3159
No. 360—Excerpts of deposition testimony of Alex Venners, Federal Engineering Company, Inc.	4950	3169

Record from the United States District Court for the District of Rhode Island—Continued	Original	Print
Government's Exhibits—Continued		
No. 361—Excerpts of deposition testimony of Ira E. Warlick, Reliance Protective, Inc.	4984	3185
No. 362—Excerpts of deposition testimony of Morris F. Weinstock, Morse Signal Devices of California	5004	3198
No. 363—Excerpts of deposition testimony of Samuel G. Wight, Central Alarm Company, Ltd.	5077	3229
Defendants' Exhibits		
A—Schedule of Defendant alarm companies proposed objections to plaintiff's documents—For identification	5100	3242
B—Defendant Grinnell objections to Government documents—For identification	5104	3245
E-1—Minimum basic service charges effective January 1, 1960	5105	3246
E-2—Minimum basic advance service charges effective April 1, 1962	5107	3249
F—Form 701 dated August 1962	5109	3251
G—Form 400 dated February 1963	5110	3252
H-1—Summary in tabular form of contents of Exhibit H—Vocational Listing of Subscribers	5111	3253
Exhibit Volume VI		
I—Letter from L. J. O'Brien to C. L. Chafee, dated September 12, 1955 re: Procter & Gamble Company, Cincinnati, Ohio	5126	3270
F—68-80—Twelve tabulated exhibits and one list of book cities dated October 1, 1962 admitted at completion of testimony of Edward Gaston	5128	3273
J—Summary statement of local alarm accounts in five cities, based on Form 400	5446	3591
K—List of city of Everett, Massachusetts master boxes	5484	3629
L—List of city of Lynn, Massachusetts Police Department connections, (acting Chief George W. Donnelly), dated June 16, 1964	5486	3631
M—List of Everett, Massachusetts Police Station connections (Bradford V. Elliott, Chief of Police), dated June 16, 1964	5488	3632
N—List of master boxes and heat detection connections, Braintree, Massachusetts, Fire Department Headquarters	5489	3633
O—List of Braintree, Massachusetts, Police Department connections	5496	3638

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
DEFENDANTS' EXHIBITS—Continued		
P—List of auxiliary connections in the Fire Department, Lynn City, Massachusetts	5498	3639
Q—List of Weymouth Fire Department direct connected and auxiliary alarm connections	5500	3640
R—List of Brockton Municipal connections, dated December 31, 1963	5502	3643
S—List of Boston Municipal connections, dated January 7, 1963	5503	3644
T—List of Salem Municipal connections, dated January 8, 1964	5504	3645
U—List of U.S. Government contracts (not security classified), December 31, 1963	5505	3647
V—Area list of Government installations, Continental United States, January 1, 1964	5547	3666
W(a)—List of ADT central station SS&WF subscribers in Natick, Needham and Newton, Massachusetts	5549	3667
Z-1—ADT contract form for modified central station service	5550	3669
Z-2—ADT contract form for central station protective signalling service	5552	3673
Z-3—ADT contract form for central station burglary and holdup protection service	5554	3677
Z-4—ADT contract form for direct connected service	5555	3679
Z-5—ADT contract form for local alarm service	5556	3681
K-1—ADT contract form for local alarm service (customer owned system)	5557	3683
L-1—List of representative installations made by ADT using systems and equipment made by others	5558	3685
M-1—List of representative systems installed by others, and sold outright to subscriber, where ADT was called in to restore service, and/or to provide a central station connection	5559	3685
U-1—Letter from Stanley N. Barnes, Assistant Attorney General, Antitrust Division to Frank A. Fritz, dated July 14, 1955	5560	3686
V-1—Statement of (ADT) Company's Revenues, gross and net balance sheet assets and indicated ratios, 1959 to 1963	5561	3687
W-1—Ratio of net earnings to gross assets, net assets and net worth (ADT), 1947 to 1963	5562	3688
X-1—Commercial Circular No. 197, supplement No. 21, dated July 25, 1960, from L. J. O'Brien regarding outright sales prices marked "Confidential"	5563	3689

Record from the United States District Court for the District of Rhode Island—Continued	Original	Print
DEFENDANTS' EXHIBITS—Continued		
Y-1—List of offices showing annual and advance service charges secured in excess of minimum basic rates, 1957 to 1963	5564	3690
Z-1—Letter from L. J. O'Brien to J. A. MacDonald, dated August 16, 1960 re Pricing Policy Memorandum from ADT Special Representative J. R. Norris to ADT Commercial Superintendent C. L. Chafee, captioned National Can Corp., Cleveland, Ohio, dated July 23, 1954 (copy) (omitted in printing)	5572 5579	3696 3704
LL—Price Waterhouse & Company letter dated May 27, 1964 to The Board of Directors of ADT with Appendices A, B & C	5580	3705
MM(1-20)—Table of detailed financial data on a city-to-city basis regarding divestiture	5589	3717
NN—Statement of revenue and expenses—1963, New Orleans central station (ADT)	5674	3805
OO—Statement of revenue and expenses—1963, Richmond central station (ADT)	5675	3807
PP—Summary of ADT deficit offices in 1963	5676	3809
QQ—Analysis of advance service charges, city by city, 1957 to 1963	5677	3811
RR—List of advance service charges amortized on a city-to-city basis. Detail of Reply to Government Interrogatory No. 17	5700	3833
SS—Memorandum of J. A. MacDonald dated June 17, 1952 regarding discussions with Grinnell Corporation on June 16, 1952	5705	3839
UU—ADT Board of Directors minutes of June 11, 1952 (excerpts)	5710	3846
VV—Excerpts of ADT Board of Directors minutes for July 9, 1952	5712	3848
WW—Arthur D. Little, Inc. report on U.S. Market for electric protection services, 1961 to 1962	5724	3863
WW-1—Biographical summaries of Messrs. Gottlieb, Frankel & Peters	5806	3947
Exhibit Volume VII		
XX—Interview guide used in conjunction with Arthur D. Little, Inc. survey	5809	3951
YY—Two Sanborn maps of Dubuque, Iowa	5813	3955
ZZ—Interviewer's materials relating to survey of of Dubuque, Iowa—Audit & Surveys, Inc., Forms 1, 2, 3, 4 & 5, Job #1232	5815	3957
AB—Q4 by Q23, amount of square feet occupied—this tabulation is related to Exhibit ZZ. Job #1232	5853	3991

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
DEFENDANTS' EXHIBITS—Continued		
AC—Q4 by Q24, number of employees—this tabulation is related to Exhibit ZZ. Job #1232	5854	3992
AD—Q4 by type of business establishment, types of establishments—this tabulation is related to Exhibit ZZ. Job #1232	5855	3993
AE—Letters from L. J. O'Brien to District Sales Managers, dated April 4, 1956; December 2, 1957; August 7, 1959; August 29, 1960; November 23, 1960; re Form 701	5856	3995
AF—General Services Administration correspondence from September 20, 1962 to January 2, 1963	5861	3998
C-1—C-5—Defendant Alarm Companies objections to plaintiff's designations of deposition testimony	5893	4029
DEFENDANT GRINNELL CORPORATION'S EXHIBITS		
J-2—1950 Annual Report of the Grinnell Corporation	5899	4050
J-5—1953 Annual Report of the Grinnell Corporation	5912	4064
J-39—Index to Grinnell Corporation Catalog, dated 1960	5923	4075
J-40—AFA Company Balance Sheet, dated December 31, 1948	5936	4110
J-43—Agreement dated February 28, 1949 between Grinnell Corp. and Marine Midland Trust Co. of New York	5938	4111
J-44—Minutes of the Executive Committee of the Board of Directors, Grinnell Corp., March 23, 1949 (excerpts)	5941	4113
J-45—Letter from W. G. Hampton, Assistant Vice President, New York Telephone Co. to J. D. Fleming, President Grinnell Corp., dated February 20, 1950	5943	4114
Income statements of Holmes Electric Protective Company for the years 1921-1949	5944	4117
J-47—Agreement dated April 14, 1950 between New York Telephone Co. and Grinnell Corp.	5946	4120
J-48—Closing Memorandum (undated)	5996	4158
J-49—Letter from W. J. Klickhauf, Apple-Cole Co., to J. D. Fleming, dated May 4, 1953	6001	4163
J-50—Agreement dated June 16, 1953 between Western Union Telegraph Co. and Grinnell Corp. with Exhibits A-E	6002	4164
J-51—Loan Agreement, dated July 27, 1953 between Grinnell Corp. and the Equitable Life Assurance Society (excerpts)	6035	4199

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Defendant Grinnell Corporation's Exhibits—Continued		
J-52—Letter from Stanley N. Barnes, Assistant Attorney General to J. D. Fleming, dated June 29, 1953	6052	4205
J-53—Letter from Roger T. Clapp to W. D. Gaillard, Jr., Milbank, Tweed, Hope & Hadley, dated July 2, 1953	6054	4206
J-54—Letter from Roger T. Clapp to M. J. Bloomer, Jr., Wickes, Riddell, Bloomer, Jacobi & McGuire, dated July 2, 1953	6055	4207
J-55—Letter from Stanley N. Barnes, Assistant Attorney General to Frank A. Fritz, dated July 23, 1953	6057	4208
J-56—Letter from Frank A. Fritz to Ephraim Jacobs, Department of Justice, Antitrust Division, dated July 13, 1953	6058	4209
J-59—Memo dated July 24, 1950 from Roger T. Clapp to Department Managers, Fire Protection Division	6063	4212
J-60—Memo dated June 10, 1963 from Roger T. Clapp to Department Managers, Fire Protection Division	6064	4214
J-62—Memo dated February 20, 1954 from O. L. Swats, Manager, Fire Protection Division to Department Managers, Contracting Engineers, et al.	6065	4215
J-65—Memo dated April 21, 1950 from H. C. Ward to All Holmes Employees	6066	4216
J-66—Letter from J. A. MacDonald to Roger T. Clapp dated June 24, 1953	6068	4218
J-69—Memorandum of Material for Discussion with Messrs. Gaston and MacDonald on June 16	6070	4219
J-70—Letter from Bleakley, Platt, et al. to the Equitable Life Assurance Society, dated July 23, 1953	6076	4226
J-74—Minutes of a special meeting of the Board of Directors of the Grinnell Corporation dated June 2, 1953	6077	4227
J-75—Statement showing "1928-1937 Earnings Data"—Grinnell Corporation	6079	4229
J-75(1)—General Fire Extinguisher Co.—Report of the Treasurer To The Board of Directors for Twelve Months Ended December 31, 1928 (excerpts)	6080	4230
J-75(2)—Ended December 31, 1929 (excerpts)	6087	4238
J-75(3)—Ended December 31, 1930 (excerpts)	6094	4246
J-75(4)—Ended December 31, 1931 (excerpts)	6101	4254

Record from the United States District Court for the District of Rhode Island—Continued

DEFENDANT GRINNELL CORPORATION'S EXHIBITS—Continued

	Original	Print
J-75(5)—Ended December 31, 1932 (excerpts)	6114	4262
J-75(6)—Ended December 31, 1933 (excerpts)	6125	4270
J-75(7)—Ended December 31, 1934 (excerpts)	6134	4277
J-75(8)—Ended December 31, 1935 (excerpts)	6143	4285
J-75(9)—Ended December 31, 1936 (excerpts)	6154	4293
J-75(10)—Ended December 31, 1937 (excerpts)	6163	4301
J-76—Plaintiff's Answers to Certain Interrogatories of Alarm Company Defendants	6172	4309
Appendix A—Letter from Stanley N. Barnes, Assistant Attorney General to Frank A. Fritz, dated July 23, 1953 (copy) (omitted in printing)	6187	4318
Appendix B—Letter from Stanley N. Barnes, Assistant Attorney General to J. D. Fleming, dated June 29, 1953 (copy) (omitted in printing)	6188	4318
Appendix C—Letter from Frank A. Fritz to Ephraim Jacobs, Department of Justice, Antitrust Division, dated July 13, 1953 (copy) (omitted in printing)	6190	4318
J-77—Balance sheet and income statements of AFA as of June 30, 1948	6195	4319

DEFENDANT ADT'S EXHIBITS

A9—Memo dated December 15, 1952 from J. L. Hardesty to H. R. Eakin, Plant Superintendent, captioned Competition—Washington, D. C.	6201	4323
—Memo dated December 22, 1952 from J. B. Bodley to A. E. Smith captioned "Federal Engineering Co., Inc., Washington, D. C.	6202	4324
A13—Memo dated September 29, 1953 from A. E. Smith to J. A. MacDonald captioned Westchester County	6203	4324
—Memo dated September 14, 1951 from W. J. Doyle, Commercial Superintendent, to A. E. Smith, captioned Modified Central Station Burglar Alarm Service	6206	4326
A31—Letter dated March 23, 1959 from Jamie Bray, Alarm Signal Company of Texas to Frank E. Guibert	6209	4331
A36—Handwritten letter dated June 2, 1962 from T. E. Smith to Mr. Haberman captioned Competition, San Antonio, Texas—Texas Industrial Surveys	6212	4334

Record from the United States District Court for the District of Rhode Island—Continued	Original	Print
DEFENDANT ADT's EXHIBITS—Continued		
A37—Letter dated October 18, 1955 from J. K. Scott to A. S. Cook, Manager, captioned Riverside Protective Association, Houston 9, Texas	6214	4335
A38—Letter dated October 1, 1959 from R. F. Ethridge to R. T. Warner, captioned The Polaroid Company, Dallas, Texas	6215	4336
A39—Letter dated June 22, 1959 from S. W. Christian to J. B. Rustic, captioned Competition—El Paso	6216	4337
A40—Letter dated March 15, 1960 from J. D. Patton to L. J. O'Brien, captioned Competition	6217	4338
A41—Letter dated December 11, 1956 from C. A. Southard to J. K. Scott, captioned Seobey Fireproof Storage Company, San Antonio, Texas	6218	4338
A47—Memo dated November 2, 1959 from J. B. Bodley to E. J. Heisley, captioned Competitive Fire-Alarm System, Pittsburgh, Pa.	6219	4340
A49—Memo dated November 20, 1962 from Jake Kowalyk to W. J. Robinson, captioned Competition—Pittsburgh	6220	4341
A51—Memo dated March 12, 1956 from W. J. Dahl to L. J. O'Brien captioned Boeing Airplane Company, Seattle, Washington, Conversion	6223	4344
A52—Letter dated March 14, 1956 from T. I. Young to W. J. Dahl, re: Boeing Airplane Company, Seattle, Washington, Conversion	6224	4345
A53—Memo dated January 30, 1956 from J. J. Stephens to J. A. MacDonald, captioned Direct Connected Services, Competition and Compensation	6225	4345
A54—Memo dated February 15, 1956 from R. M. Bugbee to A. W. Sullivan, captioned Gamewell Competitions, Indiana	6229	4350
A55—Memo dated October 10, 1955 from A. W. Sullivan to L. J. O'Brien, captioned Competition, Kenosha, Wisconsin	6230	4351
A57—Memo dated July 30, 1955 from R. V. Haight to H. B. Schultz	6231	4352
A61—Letter dated January 4, 1954 from E. J. Heisly to A. E. Smith, re: Wurzburg Bros., Memphis, Tenn. (Factory Mutuals)	6232	4353
A62—Memo dated September 24, 1953 from J. Heath, Jr., to E. B. White, re Los Angeles and Salt Lake Railways, Los Angeles 23, California	6233	4354

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
DEFENDANT ADT's EXHIBITS—Continued		
A63—Memo dated March 20, 1953 from W. B. O'Hara to D. E. Kloster, re: Erie Resistor Corp., Erie, Pa.	6234	4355
A64—Memo dated February 12, 1953 from O. T. Blank to F. J. Concannon, re: Benjamin Moore Co., Denver, Colorado	6235	4356
A66—Memo dated March 6, 1952 from E. A. Rogers, Jr. to A. S. Cook, re: Competition, Wild & Stevens, Inc., Needham Street, Newtonville, Mass.	6236	4357
A67—Memo dated October 2, 1952 from N. Slavin to A. S. Cook, re: Hotels Statler Company, Hartford, Connecticut	6237	4359
A68—Memo dated April 7, 1952 from D. R. Hall to A. S. Cook, re: Ford Motor Company, Natick, Mass.—Compulsory Tour Service	6238	4359
A70—Memo dated January 18, 1952 from D. R. Hall to W. R. Boos, re: Ford Motor Company, Edgewater, New Jersey	6239	4361
A71—Memo dated September 5, 1951 from E. J. Heisley to A. E. Smith, re: Union Bag and Paper Company, Savannah, Georgia	6240	4362
A77—Memo dated August 11, 1955 from J. B. Bodley to L. J. O'Brien captioned Competition—Richmond, Virginia	6241	4363
—Memo dated August 8, 1955 from R. O. Beckham to J. B. Bodley entitled Competition—Richmond, Virginia	6242	4364
A78—Memo dated June 1, 1953 from T. J. Yocom to E. B. White entitled Competition Report	6244	4365
A79—Memo dated July 1, 1959 from Ray Brechbill to Lyle Straus entitled Competition—Fort Worth	6246	4366
A82—Memo dated March 18, 1955 from W. J. Doyle to J. A. Webb, re: The Jamison Plastic Corporation, North Bellmore, Long Island, N.Y.	6245	4367
A84—Memo dated October 10, 1952 from G. J. Simon to John Hannon entitled Beth Israel Hospital, New York City	6247	4368
A85—Memo dated December 9, 1952 from W. J. Doyle to C. S. Hammergren re: Beth Israel Hospital, New York, N.Y.	6248	4369
A86—Memo dated April 8, 1957 from W. R. Boos to W. J. Doyle re: Duro-Test Corp., Secaucus, New Jersey	6249	4370

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT's EXHIBITS—Continued		
A89—Memo dated July 29, 1958 from C. H. Sanders to W. J. Doyle re: Globe Products Co., Inc., Webro Road, Clifton, New Jersey	6250	4371
A95—Memo dated August 6, 1951 from A. E. Smith to John Hannon captioned Auxiliary Fire Alarm Service, Trenton, New Jersey	6252	4373
A98—Memo dated January 5, 1952 from M. E. Hubert to W. W. Dooley, captioned First National Bank, Omaha, Nebraska	6253	4374
B8—Memo dated March 21, 1961 from A. S. Jacks to L. J. O'Brien captioned Competition, Erie, Pennsylvania	6254	4375
B9—Memo dated November 21, 1960 from J. J. Caffrey to L. J. O'Brien captioned Competitive Advertising	6256	4376
B11—Memo dated May 19, 1959 from R. J. Dellinger to A. S. Jacks re: Gamewell Competition—Erie, Pennsylvania	6260	4379
B12—Memo dated March 7, 1959 from R. J. Dellinger to A. S. Jacks re: Gamewell Company	6262	4381
B13—Memo dated May 17, 1959 from R. M. Bugbee to A. S. Jacks re: Gamewell Competition—Erie, Pennsylvania	6263	4382
B17—Memo dated May 5, 1958 from F. T. Turner to J. B. Rustic captioned "Auxiliary Fire Alarm Systems—City of Pittsburgh, Pennsylvania"	6264	4383
B18—Memo dated April 11, 1958 from R. T. Warner to L. J. O'Brien captioned "Olin Mathieson Chemical Corp., New Haven, Conn."	6266	4385
B19—Memo dated March 28, 1958 from W. J. Dahl to A. W. Sullivan captioned Competition—Fire Alarm Service, City of Portland, Oregon, Auxiliary Fire Alarm Systems connected to Municipal Circuits	6269	4387
B20—Memo dated March 25, 1958 from H. E. Peters to A. S. Jacks captioned Competition	6271	4389
B21—Memo dated October 15, 1957 from "District Sales Manager" (RTW) to L. J. O'Brien, captioned Insurance Relations—FIA and FM	6273	4390
B24—Memo dated June 7, 1956 from G. B. Fosmire to C. L. Chafee, captioned Competition—Columbus, Ohio	6275	4392
B30—Memo dated September 24, 1954 from D. M. Gates to C. L. Chafee	6277	4393

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
B53—Memo dated September 15, 1954 from J. A. MacDonald to A. W. Sullivan entitled Notifier Mfgs. Co.	6278	4395
B34—Memo dated September 10, 1954 from L. J. O'Brien to J. A. MacDonald re Competition—Notifier Alarm Co.—Spurling Automatic Fire Alarm Co.	6279	4396
B38—Memo dated August 30, 1954 from R. L. Hopf to C. L. Chafee re Competition—Spurling & Notifier	6280	4397
B40—Memo dated June 8, 1954 from Oper. Supt. (DHB) to J. B. Rustic, re Competition—Lincoln, Nebraska	6281	4398
B92—Memo dated September 18, 1952 from R. M. Bugbee to A. E. Smith, re Atmo Competition—New Haven, Conn.	6284	4400
B94—Letter from "Koos Bros." signed by George O. Klemp to B. W. Fox, Anchor Motor Freight-New York Corp., Linden, New Jersey, dated August 15, 1952	6286	4402
B95—Memo dated September 24, 1952 from A. F. Clunan to W. J. Doyle, re Competition—Atmo, Linden Investment Co., Linden, New Jersey	6287	4403
C1—Memo dated May 14, 1951 from R. M. Bugbee to A. S. Cook re Atmo Competition, New Haven, Connecticut	6288	4404
C3—Memo dated July 22, 1957 from J. B. Bodley to O. E. Betscher, captioned M. H. Connell Associates, Miami, Florida	6289	4405
C4—Memo dated July 27, 1962 from C. C. Rasmussen, Jr. to W. J. Robinson, re *"United States* v. *Grinnell Corp. et al."*	6290	4406
C8—Memo dated July 11, 1952 from R. M. Pinio to B. H. Sofge re Ace Burglar Alarm Company, Hartford, Connecticut	6291	4407
C10—Memo dated July 7, 1952 from K. E. Berrett to R. M. Pineo, re Ace Burglar Alarm Company, Hartford, Connecticut	6292	4408
C13—Memo dated July 1, 1960 from D. H. Barnett to L. J. O'Brien re "Proposed Councilmen's Bill, Denver, Colorado"	6293	4409
C14—Memo dated November 29, 1954 from "Vice President" to L. J. O'Brien re Denver Ordinance	6296	4412
C15—Copy of Ordinance allowing Denver Banks to install direct connect alarms, Series of 1954	6298	4414

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Defendant ADT's Exhibits—Continued		
C21—Memo dated December 18, 1952 from W. K. Francis to E. B. White re Competition—Tele-Fire of California, Pasadena, California	6301	4417
C22—Memo dated April 17, 1953 from J. Heath, Jr. to E. B. White re competition—Fullerton Mutual Orange Ass'n., Inc., Fullerton, California	6304	4421
C26—Memo dated April 11, 1958 from W. K. Francis to L. J. O'Brien, entitled Competition—Sacramento, California	6305	4422
C31—Memo dated August 28, 1962 from W. J. Kupper to Ray Brechbill, re District #13—Sales Integrity and Competition	6306	4423
C32—Memo dated June 16, 1954 from W. K. Francis to E. B. White re Sears, Roebuck & Company, Tucson, Arizona	6315	4433
C33—Memo dated April 29, 1957 from J. A. MacDonald to J. B. Rustic, re Competition—Spurling Fire Alarm & Indicator Co., Louisville, Kentucky	6317	4434
C34—Memo dated December 21, 1956 from W. J. O'Meara to E. O. Betscher, re Yellowstone Distillery, Inc., Shively, Kentucky	6318	4435
C35—Memo dated November 30, 1956 from E. O. Betscher to L. J. O'Brien, re Competition—Spurling Fire Alarm & Indicator Company, Louisville, Kentucky	6319	4436
C36—Memo dated September 12, 1956 from J. B. Bodley to E. O. Betscher, re Competition—Spurling Fire Alarm & Indicator Company, Louisville, Kentucky	6321	4439
C40—Memo dated September 7, 1955 from A. A. Balestrino to C. C. Chafee re Competition—Cincinnati, Ohio	6323	4440
C41—Memo dated September 10, 1954 from R. L. Hopf to C. L. Chafee re Competition—Direct Connect to Fire Tower	6324	4442
Agreement between the City of Cincinnati and Spurling granting direct connect permission, dated August 6, 1954	6325	4443
C42—Memo dated September 17, 1953 from E. J. Heisley to A. W. Sullivan, re Auxiliary & Direct Connect Competition, Charleston, South Carolina	6326	4445
C49—Memo dated March 4, 1960 from D. R. Hall to R. T. Warner, re GMC, New Departure Division, Bristol, Connecticut	6328	4448

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Defendant ADT's Exhibits—Continued		
C53—Memo dated May 6, 1958 from R. G. Dodd to L. M. DeSchane re: Mid-West Conveyor Company, Inc., Kansas City, Kans.	6329	4449
C55—Memo dated April 4, 1958 from R. G. Dodd to L. M. DeSchane	6331	4451
C59—Memo dated March 14, 1957 from L. M. DeSchane to L. J. O'Brien re: Competition—Omaha and Lincoln, Nebraska	6332	4452
C60—Memo dated February 11, 1957 from H. E. Elster to D. H. Barnett re: Competition—Omaha, Notifier and Dictograph Corp.	6333	4453
C61—Memo dated January 9, 1957 from Ray Brechbill to E. Turnbull captioned Competition—Oshkosh, Wisconsin	6336	4456
C66—Memo dated May 27, 1955 from "E.O.B." to L. J. O'Brien captioned Banks, Direct Connect Privilege	6337	4457
C67—Memo dated May 23, 1955 from "District Operating Superintendent" to J. B. Rustic captioned B. A. System By Diebold, Inc., Canton, Ohio	6338	4458
—Newspaper clipping describing the ultrasonic device used by Diebold in local and direct connect vault alarm service	6339	4459
C76—Memo dated August 13, 1954 from R. L. Beckwith to D. R. Hall	6340	4460
C81—Memo dated November 11, 1953 from L. J. O'Brien to E. P. Hagan re Competition—Diebold, Police Headquarters, Milwaukee, Wisconsin	6341	4461
C87—Memo dated January 5, 1952 from M. E. Hubert to Mr. Dooley, Re: First National Bank, Omaha, Nebraska	6343	4463
C89—Memo dated January 13, 1958 from R. A. Bewes to R. T. Warner, Re: State of New York Executive Department, Division of Military and Naval Affairs, Albany, N.Y.	6344	4464
C91—Memo dated June 27, 1962 from W. K. Francis to Ray Brechbill, Re: Golden Gateway, Redevelopment Project, San Francisco, California	6346	4466
C97—Memo dated February 27, 1957 from D. R. Hall to L. J. O'Brien, Re: Proprietary Systems, GMC, Chevrolet Division, Ford Motor Company, Chrysler Motors Corporation	6347	4467

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
D1—Memo dated August 19, 1952 from Commercial Superintendent to A. E. Smith re Aero Competition—Boston, Mass.	6349	4469
D11—Memo dated December 7, 1962 from W. A. Clark to W. C. Marin re The John Shillito Co., Cincinnati, Ohio	6350	4471
D15—Memo dated August 1, 1961 from F. J. Concannon to L. J. O'Brien captioned Julius Kessler Distilling Company, Calvert Distilling Company, Jeffersonville, Indiana (Louisville)	6352	4472
D18-1—Memo dated February 2, 1961 from R. L. Beckwith to J. K. Swanson re: Jacobsen's, Jackson, Michigan	6354	4474
D18-2—Memo dated December 26, 1960 from Ray Brechbill to L. J. O'Brien re: American Hard Rubber Company, Akron, Ohio	6356	4476
D20—Memo dated August 31, 1960 from L. J. O'Brien to District Sales Managers and Representatives, captioned Competition—Minneapolis-Honeywell	6357	4477
D21—Memo dated January 20, 1959 from M. H. A. Lindsay to J. A. MacDonald captioned Minneapolis-Honeywell Regulator Co., Minneapolis, Minnesota	6359	4479
D22—Memo dated August 16, 1960 from N. R. Brady to J. B. Bodley re Travelers Broadcast House, Hartford, Conn.	6361	4482
D24—Memo dated July 8, 1960 from J. B. Bodley to all ADT executive officers, re "Competition—Minneapolis-Honeywell Company"	6362	4484
D26—Memo dated April 29, 1960 from A. S. Jacks to H. B. Schultz re Tri-County Shopping Center—Shillito's, Federated Department Store	6364	4486
D27—Memo dated February 3, 1960 from M. H. A. Lindsay to J. A. MacDonald re Minneapolis Honeywell Regulator Company and Competition in general	6365	4487
D28—Competition Report—November 20, 1962—West Orange, New Jersey. Job lost to Kidde Atmo	6368	4491
D30—Memo dated August 9, 1961 from M. H. A. Lindsay to L. J. O'Brien re New CIA Headquarters, Washington, D. C. area	6369	4493
D32—Memo dated June 13, 1960 from A. Gaston to L. J. O'Brien re L. Bamberger & Company, Newark, New Jersey	6370	4494

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
DEFENDANT ADT'S EXHIBITS—Continued		
D33—Memo dated January 26, 1960 from F. D. Shadell to W. J. Doyle re Competition	6371	4495
D36—Memo dated January 31, 1956 from J. R. Hough to E. O. Betscher re Spurling and Kidde, Miami, Florida	6373	4497
D40—Memo dated January 14, 1954 from A. W. Sullivan to A. E. Smith captioned Atmo Competition	6375	4498
D41—Memo dated April 2, 1953 from "General Superintendent" to R. M. Pineo captioned Atmo Fire Alarm Company, Bridgeport, Conn.	6376	4499
D42—Memo dated May 27, 1953 from R. M. Bugbee to A. E. Smith captioned Atmo Competition—New Haven, Conn.	6377	4500
D45—Memo dated October 23, 1952 from W. J. Doyle to A. E. Smith re: Automatic Fire Alarm Competition, State of New Jersey	6378	4501
D46—Memo dated October 14, 1952 from F. H. Langille to W. J. Doyle re: Automatic Fire Alarm Competition, State of New Jersey	6380	4502
D51—Memo dated September 2, 1954 from E. J. Kaiser to King Young re: Competition	6381	4503
D59—Memo dated April 8, 1959 from J. T. Lynch to R. T. Warner re: The New Haven Board and Carton Co., New Haven, Conn.	6382	4504
D62—Memo dated March 12, 1957 from L. B. Straus to L. J. O'Brien re: Marshall Field & Co., Park Forest, Illinois	6384	4506
D75-B—Underwriters' Laboratories, Inc. Accredited Central Stations by date of approval since 1945	6385	4507
D75-E—Manual of Burglary Insurance (excerpts)	6387	4509
Exhibit Volume VIII		
D89—Memo dated July 28, 1960 from Ray Brechbill to R. J. Highstone re: Highland Park Police Department, Highland Park, Illinois	6391	4523
D92—Memo dated January 5, 1960 from R. P. Lucy to W. K. Francis re: Bemis Bag Co., Newark, California	6392	4524
D93—Memo dated October 5, 1954 from L. J. O'Brien to A. E. Smith re: Direct Connected Competition—Diebold Company and Gamewell Co., Sioux City, Iowa	6393	4525

Record from the United States District Court for the District of Rhode Island—Continued	Original	Print
DEFENDANT ADT's EXHIBITS—Continued		
D97—Memo dated June 30, 1955 from C. L. Chafee to A. E. Smith re: Competition—Cincinnati, Ohio	6395	4526
E1—Sprinkler Supervisory Coordinating Instructions No. 3, dated November 24, 1953 from C. S. Hammergren to All ADT Subsidiaries	6396	4528
E3—Letter from W. J. Dahl to A. W. Sullivan dated February 11, 1959, captioned Competition—Tacoma, Washington	6398	4530
E4—Letter from S. H. Filipkowski to W. B. Flammer, dated August 6, 1956, captioned ADT Competition, Birmingham, Alabama	6400	4532
E6—Memorandum from the Service Superintendent of ADT, Detroit, Michigan to Mr. Swanson, District Manager, dated October 10, 1960, captioned Competition—Detroit, Michigan	6401	4533
E7—Memorandum from W. K. Francis to L. J. O'Brien, entitled Competition, San Francisco, California	6402	4534
E8—Memorandum from R. T. Warner to L. J. O'Brien, dated April 6, 1960, captioned Competition	6405	4538
E9—Memorandum from E. J. Heisley to L. J. O'Brien captioned Competition—Washington, D. C., dated April 15, 1960	6407	4541
E10—Memorandum from A. S. Jacks to L. J. O'Brien dated April 25, 1960, captioned Competition—Cleveland District	6410	4543
E-13—Letter from C. L. Chafee to L. J. O'Brien, dated June 7, 1957, captioned Competition—Radar Eye Corporation	6412	4547
E14—Memorandum from C. L. Chafee to L. J. O'Brien, dated May 13, 1957 captioned Competition—Cleveland, Ohio	6413	4548
E15—Memorandum from E. J. Heisley to L. J. O'Brien, dated April 17, 1957, captioned Competition Radar-Eye	6414	4549
E16—Memorandum from R. T. Warner to L. J. O'Brien, dated March 8, 1957, captioned Competition—Radar-Eye	6415	4550
E18—Memorandum from E. J. Heisley to L. J. O'Brien, dated March 6, 1957, captioned Competition—Radar-Eye	6416	4551
E19—Photostatic copy of an advertisement for the Radar-Eye Protection System as published in the Buffalo Carrier Express Newspaper, February 11, 1958	6417	4553

Record from the United States District Court for the District of Rhode Island—Continued

DEFENDANT ADT'S EXHIBITS—Continued	Original	Print
E22—Memorandum from A. L. Kauffman to W. W. Dooley, dated August 12, 1954, captioned Competition—Denver, Colo.	6418	4555
E28—Memorandum from W. E. Mauroschadt to E. J. Heisley, dated December 18, 1956, captioned Competition, First Camden National Bank, Camden, New Jersey	6419	4556
E-32—Memorandum from D. R. Hall to L. J. O'Brien, dated March 21, 1956, captioned Competition—Diebold Bank Alarms	6420	4557
E-36—Memorandum from C. K. Empringham to Mr. John Stephens, dated August 30, 1955	6421	4558
E48—Memorandum from Lynne Stora to E. B. White, dated August 9, 1954, captioned Continental Can Company, Sacramento, California	6422	4559
E52—Letter from the President of ADT to the President of Holmes Electric Protective Company, dated March 27, 1947	6424	4561
E53—Letter from H. C. Ward, President, Holmes Electric Protective Company to E. A. Ward, President, ADT, dated March 26, 1947	6425	4561
E55—Memorandum from E. Turnbull to L. J. O'Brien, dated November 27, 1956, captioned "Certificate—Holdup Alarm, Minneapolis District"	6426	4562
E56—Memorandum from M. H. A. Lindsay to J. A. MacDonald, dated January 20, 1959, captioned Southdale Shopping Center, Minneapolis, Minnesota	6427	4563
E57—Memorandum from L. H. Pryor to E. Turnbull, dated June 20, 1956, captioned Electro-Watchman, Inc.	6430	4566
E58—Memorandum from L. H. Pryor to E. Turnbull, dated May 29, 1956, captioned Electro-Watchman, Inc., St. Paul, Minnesota	6432	4569
E60—Memorandum from D. R. Hall to L. J. O'Brien, dated September 2, 1958, captioned McConnell Kerr Company, Detroit, Michigan	6434	4571
E61—Contract competition report form 701 involving a prospect in Grand Rapids, Michigan	6435	4573
E69—Memorandum from R. T. Warner to L. J. O'Brien, dated April 12, 1957, captioned Competition—The Federal Burglar Alarm Company, Boston, Massachusetts	6436	4575
E70—Memorandum from R. T. Warner to L. J. O'Brien, dated January 8, 1958	6437	4575

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Defendant ADT's Exhibits—Continued		
E71—Memorandum from R. T. Warner to L. J. O'Brien, dated September 12, 1956, captioned Kennedy's Inc.	6438	4577
E72—Memorandum from N. R. Brady to R. T. Warner, dated July 25, 1956	6439	4578
E83—Memorandum from E. J. Pucci to W. Hable, dated January 18, 1963, captioned Legislation—Laws and Ordinances Passed by City Councils and State Legislatures in the Minneapolis District—Davenport—Moline	6440	4579
—Attachments—Newspaper clippings	6441	4579
E84—Memorandum from E. Turnbull to L. J. O'Brien, dated July 27, 1960, captioned Competition—Cedar Rapids, Iowa	6445	4581
E86—Memorandum from D. R. Hall to L. J. O'Brien, dated September 2, 1958, captioned The Columbia-Western Corporation, South Bend, Ind.	6447	4583
E89-1—Letter from C. A. Wiborg, Lumbermen's Mutual Casualty Company to the Holmes Electric Protective Company, dated January 30, 1956, captioned Stewart Warner, Inc.	6448	4584
E-89-2—Letter from E. J. Heisley to A. E. Smith, dated December 7, 1954, captioned Police Department Competition, Atlanta, Georgia	6449	4585
F16—Memorandum from the Secretary of ADT to J. A. MacDonald, dated June 24, 1963, captioned The Citizens & Southern National Bank, Atlanta, Georgia	6451	4589
F20—Memorandum from W. J. Dahl to Ray Brechbill, dated March 5, 1964, captioned Public Relations, Fire Department, Salt Lake City, Utah	6458	4597
F42—Memorandum from J. J. Hayden to J. K. Scott, dated September 23, 1963, captioned Southern Burglar Alarm Co., Atlanta, Georgia	6463	4603
F43—Memorandum from P. K. Labadie to W. C. Martin, dated April 23, 1964, captioned Competition	6464	4604

Record from the United States District Court for the District of Rhode Island—Continued

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[fol. 1742] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 7

New York, March 30, 1953

Commercial Superintendents and Representatives

Sales Manual:

"Selling ADT Service"

Before printing our new sales manual, we think you will welcome an opportunity to inspect the material proposed to be included, and to suggest variations, additions and deletions.

Accordingly, we are sending to each of you, in a loose-leaf binder for later use with the printed edition, a copy of the first pages of the draft. Additional pages, to be inserted by you in the binder, will be mailed to you each week until the entire draft is in your hands.

This draft of our systemwide sales plan was compiled from the experiences of many ADT salesmen. We want the completed manual to reflect the experiences of all. We recognize that individuals have developed other techniques which have been productive. We want to give other salesmen the benefit of those special techniques. Distinctly, we do not suggest any hard-and-fast routines for conducting a sale, and we do not require that this manual be followed religiously without variation.

We sincerely desire the criticism of every ADT salesman—experienced and not so experienced. The comments of newer salesmen are quite important in guiding the content so that it will be better understood by trainees. Please keep in mind that the type of crticism that will help the book is constructive criticism accompanied by an outline of material suggested for substitution or addition. Criticisms shall be submitted through commercial superintendents on 3x5 cards—one or more cards for each proposed change. Each card shall be headed with the proponent's name, and the page number and paragraph concerned.

We want also to include in the manual more anecdotes that have proved helpful in selling ADT Service. They

also should be submitted on 3x5 cards, with indication of the page and paragraph where intended to be inserted.

In the event someone has no comment or anecdote to send in—and we hope that will not happen—his name shall be typed at the top of a 3x5 card, and the words "No Comment" inserted. When cards have been received from all, we shall start work on the final draft.

A. E. Smith, General Commercial Manager.

[fol. 1743] with little blue call boxes installed at subscribers' premises. We served certain districts as distinct from conventional city coverage of telegraph service. Whenever a subscriber wanted a messenger, he would operate his call box and an ADT employee would answer the call. One day a subscriber, engaged in a manufacturing enterprise, who employed his aging father-in-law as a night watchman, began to be concerned about the safety of his business because the old gentleman was not as alert as he used to be. For one thing, he smoked a pipe habitually and might therefore be a fire hazard; and, for another, he would often doze off on the job. The subscriber was truly worried about the old man's welfare as well as the welfare of his *own* worldly goods. He had visions of waking up one morning to find, because of an unreported fire, a charred body and ashes instead of an aged watchman and a going business. Then he had an inspiration. He thought up the bright idea of asking the American District Telegraph Company to watch his watchman, since ADT was on duty 24 hours a day. He asked ADT to render a nighttime service in reverse from what it was during the day. He said, "I'll have my father-in-law ring this call box every hour on the hour after he comes on duty at 8 p.m., and I want you to ignore those signals. But if ever he does not ring in on the hour, then you send your messenger over and see what's wrong."

It was not long before ADT engineers applied the same principle of electric supervision in several forms. From that beginning, the service was expanded to include various types of fire and burglary detection and alarm systems. Skillful engineering has since extended and elaborated the application of the services so that now the trend is

toward completely automatic detection and alarm transmission.

That is how ADT-engineered protection services were developed from a single telegraph call box at a subscriber's premises to the 14 different types of detection, alarm, and supervisory services which we offer today. In the same way, it has been necessary to gear our sales procedures to keep pace.

How the ADT Nationwide System Functions

The ADT system organization comprises 50 individual companies, separately incorporated in the states in which services are performed, the capital stock of which, evidencing ownership, is owned, with insignificant exception, by the American District Telegraph Company (incorporated in the State of New Jersey). The New Jersey Company or, as it sometimes is termed, the Parent Company, does not supply protection services. It functions as the cornerstone in the system organization, deriving its income from the dividend payments of its owned subsidiaries and from certain concentrated management services it has caused to be provided for the economical benefit of all the subsidiary operating companies.

. . . . . .

[fols. 1744-1745]

Accounting
Advertising
Auditing

Benefit Plan Administration
Cost Studies
Engineering
Financial
Insurance Relations
Legal
Manufacturing
Market Research and Development
Operating Administration
Personnel Administration
Plant Administration
Purchasing
Repair
Sales Administration
Shipping
Statistics
Storing

. . . . . .

[fol. 1746] 7. ADT Service Gives Better Protection

An establishment that maintains a watchman is generally a good prospect for ADT Service. Why? Because we can eliminate the watchman? No, not necessarily. But, rather, because it means that the prospect is protection-conscious; because it affords us an opening *to provide better protection*, sometimes at lower cost to the subscriber. The important feature is not the lower cost, but the chance to provide better protection where it is already recognized that protection is needed.

Where it is entirely practical to replace a watchman, ADT automatic services can given better protection because:

ADT automatic service protects every square foot of the subscriber's premises every minute of a 24-hour day. A watchman generally works on a shift basis, and only during closed periods. A watchman on tour passes each area but once an hour. Before he returned to a particular area in a large building or a number of buildings, an incipient fire could get beyond control.

[fol. 1747] ADT Service would guard that locality every second of every hour. If a sprinkler head fused, it might take a watchman many minutes to discover the fire and give the alarm. The ADT System would summon aid immediately, automatically, by calling the fire department, dispatching one or more guards, and would notify the subscriber. With a sprinkler head gushing up to 60 gallons of water per minute, a great deal of unnecessary water damage often occurs because of a watchman's failure to act promptly and effectively in the emergency.

Consider the burglary hazard: A watchman on tour may leave windows and doors open as he passes from one part of a building to another. The watchman himself is a vulnerable target. In an attack on the premises by burglars the watchman often is the first victim.

In addition to its advantages of more intensive coverage, ADT automatic protection service is superior because it eliminates the human weaknesses which are so often the cause of watchman failures. Watchmen's shortcomings include sickness, intoxication, falling asleep on the job, accidental injury, dishonesty and carelessness.

A review of these facts, which are easily supported by

reference to pertinent case histories and the ADT annual reports of performance, provides indisputable evidence that ADT Service does render better protection than any watchman against the hazards of fire and burglary. That it is also less costly is most often true.

The tendency to emphasize the "lower cost" of ADT automatic protection service is rather natural. However, the far-sighted commercial representative will recognize that the lower cost or "payroll saving" should be minimized in his presentation. Psychologically, it will aid the sale if any money-saving aspects are toned down and left as a subordinate benefit. The profit-minded businessman will make his computations regardless of the commercial representative's reminders. In that way, he will "sell himself" and pat himself on the back for his acumen in seeing the opportunity to "save dollars" while you are concentrating on "*better protection.*"

Where two watchmen are making rounds at the same time, it often is acceptable to insurance interests to eliminate the need for one watchman by reducing the frequency of rounds to a tri-hourly or bi-hourly basis, and supplementing the one ADT-supervised watchman with an automatic protection service, such as Sprinkler Supervisory and Waterflow Alarm.

In a situation where it is not practical or possible to attempt elimination of a watchman, it is especially significant to point out how ADT Service renders "better protection." Here again it is important to show that the natural human weaknesses of a watchman need to be counteracted by the proven effectiveness of ADT Service.

[fols. 1748-1750] It is pertinent to note that a watchman may open windows for ventilation and thus cause drafts for fires and access for burglars. He may go to sleep or leave the premises. He may entertain acquaintances in the premises. He may cause fire through carelessness in smoking. An injured watchman is a liability. A dishonest watchman can cause great loss. Factual proof of these shortcomings of unsupervised watchman protection are available.

Excerpts from our annual reports of performance, plus some visual proof of one or more local situations illustrating the destructive, and sometimes tragic, consequences of inadequate watchman protection, will yield vivid and con-

vincing evidence that "ADT Service provides better protection."

In discussing watchman elimination with a prospect it usually is unwise to refer to the subject in those words. Such terms as "elimination of costly patrols" and "releasing the watchman to productive work" are usually more acceptable to the prospect, and do not offend him with the thought that you are seeking to put his watchman out of his job.

References to the known failings of watchmen may be stressed in your presentation, but should be preceded by a statement to the effect that what you are about to say may not fully apply to the prospect's own watchman. You can go on to say that while this particular watchman may be alert, able-bodied, thorough, honest, and loyal, his very loyalty may lead him to try to handle emergencies with which he is physically unable to cope. It is generally accepted that 85% of watchmen are beyond the age of quick decision and spontaneous action, and that they often collapse in exerting strenuous, though futile, efforts to protect the property of their employers.

ADT Service offers a combination of benefits that no alternative can duplicate.

It *protects both the tangible and intangible assets* of a business. It *gives protective immunity* from fire and burglary, rather than insurance replacement. It *assures the continuity* of a going business. It *affords peace of mind and a sense of security* to the owner. It is a "*safety first*" *measure* of great value. It *provides better management control.* It *gives better protection* against the hazards of fire and burglary to the man in business who wants to *stay in business.* These are the fundamental reasons for buying ADT Service that every commercial representative should present earnestly and convincingly to every prospect.

• • • • • • •

[fol. 1751] 2. Present Subscribers

Company statistics prove that *present subscribers are the largest source of new business.*

It is easier to sell a present subscriber because you have access to him and to his premises. Moreover, he has tested the worth of one or more ADT Services. He has confidence in you as a protection counselor. Any subscriber to a single ADT Service may be regarded as a prospect for additional service. It has been proved that, in any territory, a systematic canvass of present subscribers will yield up to a 20% increase in sales.

* * * * * * *

[fol. 1752] Note that our Central Stations are continually supervised, inspected, and tested. Point out that any subscriber can test us at any time by failing to signal on schedule or by deviating from prescribed closing procedures, and that many do. (Use the latter point only in extreme cases, as such tests add unnecessarily to the work load of our Operating Department.)

In answer to an objection about failure of service in the case of any specific fire or burglary: if true, we admit it. You can straightforwardly point out that since ours are mechanical devices, they are not infallible. We need but refer to the occasional mishaps of telephone service, airlines, railroads, and electrical power. Note that our percentage of efficiency compares favorably with all public service organizations. Again, remind the prospect that if failure of our service was not a rarity, we would have been forced out of business long ago.

Answering Objections Based on a Competitive Item or Service.

"I can have a local alarm installed at a much lower expense" or "The Richard Rowe Company is offering the same service at half of your price."

The first of these objections is easier to deal with. On a comparative basis, it is not difficult to point out the relative lack of protection that exists with a local alarm. Local

alarms become inoperative, employees can easily disconnect them or fail to set the alarm, they are often ignored when they do ring because of their frequent false soundings, and they are not accorded the same credit by insurance underwriters.

When a prospect raises the question of competition, there is generally inherent in it a reference to price comparison. In a judicious way the objection can be handled on a comparison basis. In general, it is poor policy to make deprecating comments about a competitor's system or service. In preference, we point to all possible exclusive advantages of ADT Service.

When competition is in the picture, call attention to the many years of greater experience behind ADT Service. No competitor can match us there. Note our superior engineering. Refer to our unmatched know-how in maintenance, installation and service because of our longer experience.

Under some circumstances, one ADT commercial representative has found it effective to say, "Like ourselves, we know that you folks take honest pride in the excellence of your product and service. No doubt your own salesmen have to meet this same objection every day. They probably answer it in the same way I'm going to answer yours. You have set certain standards and evolved a fair price to maintain those standards. You could probably cut corners and lower prices, but you don't, because you have a reputation for quality and service. My company also has high standards of quality to maintain, and I know you can appreciate the reasons behind any initial difference in price.

Another effective method to meet the price and competition objection is to compare well-known items having similar functions but which differ in price and quality. "You can't buy a Cadillac for the price of a Chevrolet, although the same company makes them both. You get only what you pay for, don't you think so?"

• • • • • • •

[fol. 1753] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 9

This Agreement, made this first day of March, One Thousand Nine Hundred and Seven, by and between the Brooklyn Telegraph and Messenger Company, a corporation organized and existing under the laws of the State of New York, party of the first part, hereinafter called the Lessor, and the National District Telegraph Company, a corporation also organized and existing under said laws of New York, party of the second part, hereinafter called the Lessee:

Witnesseth: The parties hereto mutually covenant and agree as follows:

First. The lessor, for and in consideration of the rental, covenants and agreements hereinafter mentioned, and reserved to be paid and performed on the part of the lessee, its successors and assigns, has granted, leased and demised, and by these presents does grant, lease and demise to the National District Telegraph Company, its successors and assigns, with possession thereof, on the first day of March, One Thousand Nine Hundred and Seven, all and singular the certain district telegraph, messenger, call box, burglar, night watch, fire alarm, and other telegraph lines, service, contracts and business not owned, operated, or controlled by the Brooklyn Telegraph & Messenger Company, and particularly those shown in Schedule A, hereto annexed, and made a part of this agreement, wherever the same may be located, together with any and all poles, wires, insulators, fixtures, call boxes and other instruments, office equipments, furniture, tools, implements and appurtenances thereof, and other property appertaining thereto, including franchises, casements, inventions, patents and patent rights, and interest in inventions and patents of every kind and nature whatsoever, owned, used or enjoyed by the Brooklyn Telegraph and Messenger Company, in the operation of said [fols. 1754-1757] lines and business or otherwise, on the said first day of March, One Thousand Nine Hundred and Seven. To HAVE AND TO HOLD the same, and each and every part thereof unto the National District

Telegraph Company, its successors and assigns, from the said first day of March, One Thousand Nine Hundred and Seven, for and during the full term of Ninety-Nine (99) Years then next ensuing, under the conditions and for the rental hereinafter set forth; it being hereby agreed that upon taking possession of said property, the National District Telegraph Company shall have full right and authority to use, maintain, operate and enjoy the same, and all and every part thereof, as fully as the Brooklyn Telegraph and Messenger Company might have done, had this agreement not been executed; the National District Telegraph Company collecting and receiving all the earnings and revenues of such property, and all and every part thereof, and generally managing and operating the same and conducting the business thereof in the name of the National District Telegraph Company, as it may from time to time elect, during the continuance of this agreement, the National District Telegraph Company being hereby constituted the agent and attorney of and for the Brooklyn Telegraph and Messenger Company, for the purpose of acting in its name or behalf in the said business, at any time during the term hereof, whenever the National District Telegraph Company shall elect so to do, but at its own proper cost, risk and expense. And the Brooklyn Telegraph and Messenger Company, for itself, its successors and assigns, hereby covenants and agrees that the said property hereby leased and conveyed to the National District Telegraph Company, is free from all debts or encumberances of every kind and nature; the National District Telegraph Company on its part, hereby convenanting and agreeing to protect and save harmless the Brooklyn Telegraph and Messenger Company of and from any and all loss, cost, damage, expense and risk arising from the maintenance, operation, use or occupation by it, of the lines and property and the business hereby leased, or by reason of any act for and in the name of the Brooklyn Telegraph and Messenger Company, or default of the National District Telegraph Company.

* * * * * * *

[fols. 1758-1762] Eighth. The Brooklyn Telegraph and Messenger Company hereby covenants and agrees that it

will not in any manner engage in any telegraph or other business, nor build, purchase, operate or use any line or lines of telegraph or cables, during the continuance of this agreement.

* * * * * * *

[fol. 1763] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 10

Superseded by order 9/28/22

Contract entered into as of the first day of August, 1907, by and between the Merchants Fire & Despatch Company, a corporation organized under, and existing by virtue of, the laws of the State of California, (hereinafter referred to as the Despatch Company) party of the first part, and the Los Angeles District Telegraph Company, a corporation organized under, and existing by virtue of, the laws of the State of California (hereinafter referred to as the District Company) party of the second part,

Witnesseth:

Whereas, the Despatch Company desires to retire from the signal service connected with its Night Watch and Fire Alarm Service, and to turn the same over to the District Company, but to retain certain patrol and combination boxes which are leased to it by, and are the property of, the District Company.

Therefore, in consideration of the mutual covenants hereinafter set forth and of the delivery by the District Company to the Despatch Company of eighty (80) shares of the capital stock of The American District Telegraph Company of New Jersey, of the par value of One hundred dollars ($100) each, the receipt whereof is hereby acknowledged by the Despatch Company.

1. The Despatch Company agrees and obligates itself to retire from and to discontinue the operation of its Night Watch and Fire Alarm signal service and to turn over and deliver to the District Company all of its service of that character and description.

2. The Despatch Company hereby sells, assigns, transfers and sets over to the District Company all of its electrical business and apparatus including its wires, whether overhead or underground, conduits, leases for the same, [fol. 1764] instrument boxes, switchboards, registers, etc., now in use, constituting its equipment for Night Watch or Fire Alarm signals, or both, together with all its rights and franchises now owned, or for which application has been made, by it for the stringing of wires either overhead or underground.

3. The Despatch Company for itself and for its directors agrees that it and they shall entirely and forever abstain from engaging or dealing in the various forms of electrical signaling business in Los Angeles, California, carried on, or conducted by, the District Company.

* * * * * * *

[fol. 1765] 5. The Despatch Company agrees that it will not contract to furnish subscribers with the District Company combination boxes for use other than in connection with its patrol service.

6. The Despatch Company agrees to exercise all reasonable diligence to procure further contracts with other subscribers, but upon the terms and within the limits prescribed by this contract and agrees to use no service other than that of the District Company in connection with its patrol service.

7. The District Company agrees to furnish the Despatch Company whatever combination boxes (Night Watch and Fire Alarm) the latter may require for its own patrol service; such boxes to be placed in such locations as the Despatch Company may select, free of expense to it, providing that connections can be made at a reasonable and customary expense without the erection of additional poles. The Despatch Company agrees to pay for such boxes the sum of $1.50 per month per box.

8. The District Company agrees that it will abstain from maintaining a patrol service in Los Angeles and [fols. 1766-1768] further agrees that it will maintain a private telephone connection between its main office and the main office of the Despatch Company; and it will report promptly any delinquencies of the watchmen of the

Despatch Company and that it will allow a representative of that Company to inspect the signal sheets of the patrolmen of the Despatch Company whenever requested by proper authority.

9. The District Company agrees that in the event of any subscriber of the Despatch Company canceling his contract it will not hold said Despatch Company liable for any further rental on said subscriber's contract after notice of such cancellation and the termination of service thereto.

10. The duration of this contract shall be for a period of fifteen years, and shall be subject to termination after that date on one year's written notice thereafter from either party hereto to the other.

* * * * * * *

[fol. 1769] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 11

This memorandum of agreement, made and entered into the 17th day of June, 1908, by and between the Bankers' Electric Protective Company, a corporation organized and existing under and by virtue of the laws of the State of Illinois, for itself, its successors and assigns and the American Bank Protection Company, a corporation organized and existing under and by virtue of the laws of the State of Minnesota, for itself, its successors and assigns, parties of the first part, AND the American District Telegraph Company, a corporation organized and existing under and by virtue of the laws of the State of New Jersey, for itself, its successors and assigns, party of the second part, Witnesseth:——

That Whereas the Bankers' Electric Protective Company, has been for many years last past, and is now, engaged in the operation of a Central Office Burglar Alarm Business, and also a system of burglar alarm by means of electrically connecting the vaults of banks with a gong placed on the outside of bank buildings, without the Central Office feature, in the City of Chicago, State of Illinois, and elsewhere; and

Whereas the party of the second part has been for many years last past, and is now, engaged in the operation of the Central Office Burglar Alarm Business, above described; and

Whereas the Bankers' Electric Protective Company has sold, transferred and delivered to the party of the second part through a constituent company, its Central Office Burglar Alarm Business, together with all its contracts for service and property in connection therewith:

Now, Therefore, in consideration of the premises and of the mutual convenants, promises and agreements herein- [fol. 1770] after contained, it is covenanted and agreed by the parties hereto as follows, namely:

First. The parties of the first part agree that they will during the term of this agreement confine their operations to the business of selling and installing the apparatus for burglar alarm service by means of a gong alarm, above described, and will not conduct in any manner the service known and above described as the Central Office Burglar Alarm Business anywhere in the United States except the States of Wyoming and Nevada; and the party of the second part covenants and agrees that it will confine its operations to the Central Office Burglar Alarm Business and will not engage in the selling of the gong alarm service during the term of this agreement;

Provided, However, that where the party of the second part has a Central Office in any city or town, it may hereafter connect such Central Office with any local gong service that may have been sold and installed by the parties of the first part, and such connection shall not constitute a violation of this agreement;

Provided Further, that each of the parties hereto, or its subsidiary companies, or its successors or assigns, is free to prosecute its own particular line of business in any place, and such action shall not constitute a violation of this agreement; the intention of the parties hereto being to limit each other only as to the character of its business.

Second. It is also agreed that in any city or town where the party of the second part maintains a Central Office, the parties of the first part will not connect any equipment sold by them, or permit any such connection, with police

office or any outside point other than the gong on the outside of the building equipped.

[fol. 1771] Third. It is further mutually understood and agreed, —ever, that nothing contained in this agreement shall prevent, or — construed as preventing or prohibiting, the party of the second part from charging for the installation of any equipment it may arrange for in connection with its Central Office Burglar Alarm Business, it being prohibited only from selling local burglar alarm equipment having no connection with its Central Office.

Fourth. It is mutually covenanted and agreed that this agreement shall continue in force during the term of fifteen years from the date hereof, and shall continue and be in force thereafter until one year's notice, in writing, shall be given by either of the parties hereto to the other of its intention and desire to terminate the same.

In Witness Whereof, the said parties have caused these presents to be signed in their respective corporate names, by the proper officer, and their respective corporate seals to be hereunto affixed, the day and year first above written.

Bankers' Electric Protective Company, By W. H. Ritchie, President. American Bank Protection Company, By W. H. Ritchie, Vice President, American District Telegraph Company, By R. C. Clowry.

[Seal.]
Attest: F. Whitmarsh, Secy.

Attest: F. Whitmarsh, Asst. Secy.

[Seal.]
Attest: I. B. Ferguson, Secretary.

[Seal.]

[fols. 1772-1774] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 12

Agreement, made and entered into the 21st day of February, 1908, by and between William A. Pinkerton, of Chicago, Ills., and Allan Pinkerton, of New York City, partners doing business under the name of the Pinkerton National Detective Agency and Pinkertons' Protective Patrol, parties of the first part, and the American District Telegraph Company, a corporation organized under the laws of the State of New Jersey, party of the second part, Witnesseth:

Whereas, the parties of the first part own or control the entire capital stock of the Chicago Electric Protective Company, a corporation organized under the laws of the State of Illinois, and engaged in carrying on an electric signalling and protective patrol business in the City of Chicago; and,

Whereas, the party of the second part owns or controls the entire capital stock of the Illinois District Telegraph Company, a corporation organized under the laws of the State of Illinois, and conducting a similar business in the City of Chicago; and

Whereas, the party of the second part desires that said Illinois District Telegraph Company shall acquire the assets and business as a going concern of said Chicago Electric Protective Company, and parties of the first part are willing to sell and dispose of the same upon the terms hereinafter set forth;

* * * * * * *

[fols. 1775-76] Fourth: It is expressly agreed, and it is an essential part of the consideration of this contract, that the Chicago Electric Protective Company and the parties of the first part sell, assign, transfer and set over unto the Illinois District Telegraph Company, the goodwill of the said parties of the first part, and of the aforesaid partnerships in which they are partners, and of the Chicago Electric Protective Company in the electrical signalling business in the City of Chicago, it being understood that by the

words "electrical signalling" is meant such service as burglar and fire alarm, messenger calls, nightwatch signals, sprinkler supervision and valve alarm and similar service, — not the telephone or telegraph as such. And for the purpose of giving effect to the transfer of such good-will the said parties of the first part jointly and severally agree that so long as the payments hereinafter provided to be made by the said American District Telegraph Company are regularly and promptly made when due, they and each of them will not, as co-partners, or as individuals, or as officers or stockholders of any corporation now existing, or hereafter to be formed, directly or indirectly, retain or acquire any interest whatever in any electrical signalling company or business or enterprise in said City of Chicago during the term of this agreement; that is to say, for fifteen years from the date hereof.

* * * * * * *

[fol. 1777] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 13

This Agreement, Made this 6th day of September, 1913, between the Still Alarm Company, a corporation duly organized and existing under the laws of the State of Ohio, and C. H. North and George C. Steele, Hereinafter called the party of the first part, and The American District Telegraph Company of Cleveland Company, a corporation duly organized and existing under the laws of the State of Ohio, hereinafter called the party of the second part;

Witnesseth:

Whereas, The said party of the first part desires to discontinue its present Signal and Burglar Alarm business in the City of Cleveland, Ohio, and further desires that contracts for service with its present subscribers shall be secured by the party of the second part;

Now, Therefore, The parties hereto agree as follows:

Article 1:—The party of the first part hereby agrees to discontinue service to all of its present subscribers on September 15, 1913, and also agrees immediately after

signing this contract to notify each and all of the following subscribers of its intentions:

* * * * * * *

[fol. 1778] *Article 2:*—The party of the first part agrees not to solicit and not to accept any service contracts from and after the date of this contract in the City of Cleveland, Ohio, and to immediately dismantle its existing Central Station office.

Article 3:—The party of the first part agrees to immediately arrange for cancellation of the existing contract dated April, 1905, for service wires, etc., between it and the Cuyahoga Telephone Company.

Article 4:—The party of the first part hereby assigns to the party of the second part any and all patents owned by it, and any and all patent applications pending at the date of this contract, as per list of patents and patent applications herewith attached.

[fols. 1779-1782] *Article 5:*—The party of the first part hereby guarantees that no assignments on its part of rights to operate service are in effect and that none will be made, and also agrees to dissolve its corporate existence on or before November 14th, 1941.

* * * * * * *

[fol. 1783] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 14

This Agreement, made and entered into this 9th day of April, 1917, by and between the Manhattan Fire Alarm Company, a New York corporation, hereinafter called the "Seller", and the National District Telegraph Company, a New York corporation, hereinafter called the "Buyer".

Witnesseth: That in consideration of the sum of One ($1.00) Dollar by each party to the other in hand paid, receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained, it is mutually agreed as follows:

First: The "Seller" shall and hereby does sell, assign, and set over unto the "Buyer," as of the date of transfer

hereinafter named, all its right, title and interest in and to all its plant and eqnipment in Central Stations and in Subscribers' premises and in and to materials as per inventory herewith attached as part of this agreement marked "Exhibit 'A' ", free of bond, note and book account or other indebtedness or lien; and in and to all contracts with Subscribers as per list attached herewith as part of this agreement marked "Exhibit 'B' ", given by the "Seller" as a full and correct list of all subscribers' contracts, dates of expiration and annual rentals, which shall include plant wired for operation approximately as follows:

448	Subscribers	having	3220 Auxiliary Fire Alarm boxes
71	"	"	1332 Combination Auxiliary and Drill boxes including 1030 Gongs,
193	"	"	247 Special Fire Alarm boxes,
23	"	"	666 Night Watch & Fire Alarm boxes,

the above Auxiliary boxes being connected to 285 Master boxes and 190 Fire Alarm Street boxes; also any other plants installed which may not be covered by Subscribers' service contracts.

Second: The "Seller" shall and does warrant unto the "Buyer" good right, title and interest in and to the property hereinbefore described, and shall defend the same against the claims of any and all persons whomsoever, and shall indemnify the "Buyer" against all damage, costs, attorneys' fees and expenses in connection with any and all litigation, which the said "Seller" shall fail to successfully defend.

Third: The "Seller" shall complete promptly at its expense, and in a thoroughly workmanlike manner acceptable to the Board of Fire Underwriters having jurisdiction all installations in process of construction on the date of transfer and turn over same to the "Buyer".

Fourth: The "Seller" shall and does hereby agree to accept delivery of approximately two hundred and eighty-five (285) Master boxes above referred to at the "Buyer's" shop, New York City, as rapidly as removed from existing

[fols. 1784-1786] installations by the "Buyer" and offered to the "Seller," but only during the period not to exceed five (5) years from the date of transfer, and to pay to the "Buyer" for them as delivered forty ($40.00) Dollars each.

* * * * * * *

Seventh: The "Seller" shall and does hereby further covenant and agree that it will, as soon as this agreement becomes operative as hereinafter provided, pay all its debts and secure its dissolution as a corporation, pursuant to the laws of the State of New York in such case made and provided. This said dissolution shall become effective in not less than six months after the date of transfer herein established.

* * * * * * *

[fol. 1787] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 15

This Agreement, made and entered into this 27th day of November, one thousand nine hundred and eighteen, by and between The Still Alarm Company, party of the first part (hereinafter referred to as the Alarm Company), a corporation of the State of New York, and the American District Telegraph Company, party of the second part (hereinafter referred to as the American Company), a corporation of the State of New Jersey, Witnesseth:

In Consideration of the sum of one dollar ($1.00), paid by each of the parties hereto to the other, and of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

First: The Alarm Company covenants and agrees to sell and convey to the American Company, and the American Company covenants and agrees to purchase from the Alarm Company, upon or as of a date not later than December first, one thousand nine hundred and eighteen, for the price and upon and subject to the terms and conditions hereinafter stated, the following as an entirety:

All the physical plant and property owned and possessed by the Alarm Company in the City of Buffalo, State of New

York, together with all its contracts with subscribers for its service in force and effect on the date of such sale and conveyance, and all choses in action, debts, bills, claims, judgments, book and other accounts against or due from such subscribers, it being understood and agreed that on March 1, 1918, the physical plant and property, and the subscriber's contracts in the City of Buffalo, owned and pos-
[fol. 1788] sessed by the Alarm Company are set forth and contained in Exhibits "A" and "B", hereto annexed and made part hereof, and the Alarm Company hereby covenants and agrees that, except in the ordinary and usual course of its business, the same have not, and pending the consummation of the sale and conveyance, on or before December 1, 1918, as aforesaid, will not be otherwise sold, conveyed, disposed of, removed, surrendered or reduced.

* * * * * * *

[fols. 1789-1790] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 16

This Agreement, Made this 9th day of September, 1926, by and between Pacific Messenger Company, a corporation of the State of Washington, hereinafter called the "Messenger Company", and American District Telegraph Company, a corporation organized and existing under and by virtue of the laws of said state, hereinafter called the "District Company",

Witnesseth, That

Whereas, the Messenger Company claims to be the owner of that certain franchise from the City of Tacoma granted by Ordinance No. 170, passed by the City Council of said city and approved July 22, 1887, entitled, "An Ordinance granting to the Northwestern American District Telegraph Company of Washington Territory the right and privilege of erecting, constructing, maintaining and operating in the city of Tacoma, W. T.", and has, for many years last past, been conducting in said city messenger, fire alarm, night watch and other systems, and is the owner of a considerable amount of personal property in said city used in connection

with its said business and consisting of that described in "Exhibit A", hereto attached, but this specification of the property in said exhibit shall not be considered to exclude any property of the same or different kind not so specified, and is also the owner of a number of contracts for service and of the good will of its business; and

* * * * * * *

[fol. 1791] Now, Therefore, the Messenger Company, in consideration of the sum of One Dollar ($1.00) to it in hand paid by the District Company, and the promises and agreements herein of the said latter company, agrees as follows:

(1) To execute to the District Company a good and sufficient assignment of that certain franchise above mentioned, granted by the aforesaid Ordinance No. 170 of the City of Tacoma, and a good and sufficient bill of sale of all of the property of said Messenger Company, a description of which is hereto attached, a part hereof and marked [fol. 1792] "Exhibit A", and also the good will of said company and all of its contracts, said franchise and the personal property to be free and clear of all debts, liabilities, liens and incumbrances, and said assignment and bill of sale to contain covenants of general warranty and a warranty against incumbrances of every kind and liability for debts, and to be authorized by the action of the board of trustees and by vote of all of the stockholders of the Messenger Company.

* * * * * * *

[fols. 1793-1794] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 17

This Agreement, made and entered into this 29th day of September, 1926, by and between the Michigan Auxiliary Fire Alarm Company, a Corporation of the State of New Jersey, hereinafter called the "Seller" and the American Still Alarm of Detroit, a Michigan Corporation, hereinafter called the "Buyer".

Witnesseth: That in consideration of the sum of One ($1.00) Dollar by each party to the other in hand paid,

receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained, it is mutually agreed as follows:

First: The "Seller" shall and hereby does sell, assign, transfer and set over and convey unto the "Buyer" as of the date of transfer, hereinafter named, all right, title and interest in and to all the "Seller's" plant and equipment in streets, in Central Stations and in subscriber's premises, in the City of Detroit and in and to materials including tools and vehicles as per inventory herewith attached as part of this agreement marked "Exhibit 'A' ", free of bond, note and book account or other indebtedness or lien; and in and to all contracts with subscribers as per list attached herewith as part of this agreement marked "Exhibit 'B' ", given by the "Seller" as a full and correct list of all subscriber's contracts, dates of expiration and annual rentals which shall include plant wired for operation approximately as follows:

396 Subscribers to Night Watch and Fire Alarm Service,

having 1589 Combined Night Watch and Fire Alarm Boxes

1244 Auxiliary Fire Alarm Boxes

409 Master Boxes with associated Terminal Sets and battery sets; also any other plants installed which may not be covered by subscriber's service contracts.

* * * * * * *

[fols. 1795-1797] Sixth: The "Seller" shall and does hereby further covenant and agree that it will, as soon as this agreement becomes operative as hereinafter provided, pay all its debts and secure its dissolution as a corporation, pursuant to the laws of the State of New Jersey in such case made and provided. In any event, this said dissolution shall become effective within one year after the date of transfer herein established unless the time is extended by mutual agreement of the parties to this Agreement.

* * * * * * *

[fol. 1798] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 18

This Agreement made and entered into this 26th day of April, 1928, by and between the Baltimore National Automatic Fire Alarm Company of Baltimore City, a corporation of The State of Maryland, hereinafter called the Seller, and the American District Telegraph Company of Baltimore City, a Maryland corporation, hereinafter called the Buyer.

Witnesseth, that in consideration of the sum of One Dollar ($1.00) paid by the Buyer to the Seller, receipt whereof is hereby acknowledged, and of the covenants and agreements herein contained, the parties hereby agree as follows:

First: The Seller shall, and hereby does, sell, assign, transfer and set over unto the Buyer, as of the date of transfer hereinafter named, all right, title and interest in and to all of the Seller's plant and equipment in the streets, in Central Stations and in subscriber's premises and in and to materials including tools, vehicles and all other tangible property of every kind and nature, as per list attached, marked Exhibit "A", free of bond, note and book account or other indebtedness, encumbrance or lien, and in and to all contracts with subscribers, as per list attached hereto as part of the agreement, marked Exhibit "B", given by the Seller as a full and correct list of all subscribers' contracts, dates of expiration and annual rentals, which shall include plant wired for operation, approximately as follows:

155 subscribers having
155 transmission boxes
30000 thermostats
258 manual boxes

* * * * * * *

[fol. 1799] Sixth: The Seller shall and does hereby further agree that it will, as soon as this agreement become operative, as hereinafter provided, pay all its debts and secure its [fols. 1800-1807] dissolution as a corporation pursuant to

the laws of the State of Maryland in such cases made and provided. In any event, this said dissolution shall become effective within one year after the date of transfer herein established, unless the time is extended by mutual agreement of the parties to this agreement.

* * * * * * *

[fol. 1808] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 19

This Agreement, made and entered into in duplicate this 30th day of August, 1928, by and between C. A. Conser and Elva G. Reath, co-partners, doing business as the Spokane Alarm Company of Spokane, Washington, hereinafter called the Sellers, and the American District Telegraph Company, a Washington corporation, hereinafter called the Buyer.

Witnesseth:

That in consideration of the sum of One ($1.00) Dollar paid by the Buyer to the Sellers, receipt whereof is hereby acknowledged and of the covenants and agreements herein contained the parties hereby agree as follows:

1. The sellers shall, and hereby do sell, assign, transfer and set over unto the Buyer as of the date of transfer hereinafter named, all right, title and interest in and to all of the Sellers' plant and equipment in the Streets, in Central Stations and in subscriber's premises and in and to materials including tools, vehicles and all other tangible property of every kind and nature as per list attached, marked Exhibit "A" and made a part hereof, free of bond, note and book account or other indebtedness, encumbrance or lien.

* * * * * * *

[fol. 1809] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 20

This Agreement, made this 16th day of November, 1931, by and between the Philadelphia Local Telegraph Company, a corporation organized and existing under and by virtue of the laws of the State of Pennsylvania, party of the first part, hereinafter referred to as the "Buyer" and Messrs J. Edward Liess, of 1045 Ridge Avenue, Evanston, Illinois and Edward A. Cassin, of 326 Oxford Road, Kennelworth, Illinois, parties of the second part, jointly, hereinafter referred to as the "Sellers" and the Reliance Electric Protective Company, a corporation organized and existing under and by virtue of the laws of the State of Illinois, party of the third part, sometimes hereinafter referred to as "Reliance."

Witnesseth:

Whereas the "Sellers" desire to sell and the "Buyer" desires to purchase the entire issued and outstanding preferred and common capital stock of "Reliance" and

Whereas "Reliance" believes that the aforesaid change in ownership of the capital stock of "Reliance" would be in the best interests of "Reliance" and of the subscribers whom "Reliance" serves and would bring to them the benefits of greater financial stability and other substantial benefits.

Now Therefore, in consideration of the foregoing and of the sum of One Dollar ($1.00), lawful money of the United States, by each party to the other in hand paid, receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

* * * * * * *

[fol. 1810] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 21

Know All Men By These Presents: That the Los Angeles Fire Alarm Company, a corporation of the State of California, party of the first part, for and in consideration of the sum of Fifty Seven Thousand, Eight Hundred Dollars ($57,800.00), lawful money of the United States, and other valuable considerations, to it in hand paid on or before the ensealing and delivery of these presents by the American District Telegraph Co., also a corporation of the State of California, party of the second part, the receipt whereof is hereby acknowledged, has *bargained and sold* and by these presents does grant, convey, assign, transfer and set over unto the said party of the second part, its successors and assigns, free and clear of all mortgages, pledges, liens and encumbrances whatsoever, including City, State, Franchise, Federal Income and any and all other taxes due or accrued to the date hereof, all of its business, property and assets, including all of its right, title and interest in and to all wires, cables, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies and all of its plant, equipment, and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, *together with* all of its right, title and interest in, under and to all contracts with subscribers for service, accounts, notes, bills receivable and choses in action, account books, leases of wires, circuits and cables, rights of way, consents, permissions and licenses from private corporations, individuals and property owners, franchises, patents, applications for patents and licenses under patents, excepting from the aforesaid business, property and assets, only its cash on hand and in banks which shall remain the property of the said party of the first part.

* * * * * * *

[fol. 1811] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 22

Purchase Agreement

This Agreement, made this 8th day of August, 1934, by and between the American District Telegraph Company of Iowa, a corporation of the State of Iowa, party of the first part, hereinafter referred to as the "Buyer", and Mr. Harry Lewis of Sioux City, Iowa, party of the second part, hereinafter referred to as the "Seller".

Witnesseth:

Whereas: The "Seller" has heretofore purchased and is the owner of all of the capital stock of the Lewis Signal and Alarm Corporation, a corporation of the State of Iowa, and also has purchased and is the owner of all of the business, property and assets of the Lewis Signal and Alarm Corporation, including all of its right, title and interest in and to all wires, cables, ducts, conduits, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies, and all plant, equipment, and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of its right, title and interest in, under and to all contracts and agreements with subscribers for service, account books, accounts, notes and bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents, permissions and licenses from private corporations, individuals and property owners, franchises, licenses, permits and agreements for the use of the streets and for connecting wires with municipal fire and police departments and installing apparatus therein, patents, applications for patents and licenses under patents, excepting only the cash on hand and in banks and securities investments of the said Lewis Signal and Alarm Corporation, and

[fol. 1812] Whereas: The "Buyer" desires to purchase and the "Seller" desires to sell all of the aforesaid business, property and assets,

Now Therefore, in consideration of the sum of One Dollar ($1.00), lawful money of the United States, by each party to the other in hand paid, receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained, the parties hereto mutually agree as follows:

First: The "Seller" hereby agrees to sell and the "Buyer" hereby agrees to purchase, all of the "Seller's" aforesaid business, property and assets, including all of the "Seller's" right, title and interest in and to all wires, cables, ducts, conduits, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies and all plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of the "Seller's" right, title and interest in, under and to all contracts and agreements with subscribers for service, account books, accounts, notes and bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents, permissions and licenses from private corporations, individuals and property owners, franchises, licenses, permits and agreements for the use of the streets and for connecting wires with municipal fire and police departments and installing apparatus therein, patents, applications for patents and licenses under patents.

* * * * * * *

[fol. 1813] Thirteenth: The "Seller" shall, as soon as possible after the date of delivery of possession, cause the Lewis Signal and Alarm Corporation to pay all taxes levied and/or assessed against it and to pay all of its debts and to procure its dissolution as a corporation pursuant to the Laws of the State of Iowa in such cases made and provided. In any event, the said dissolution shall become ef-
[fols. 1814-1815] fective within one year after the date of delivery of possession unless the time limit is extended by mutual agreement of the parties to this agreement. The "Seller" shall, likewise, as soon as possible after the date of delivery of possession, pay all taxes levied and/or as-

sessed against the aforesaid business, property and assets during or by reason of his ownership of them or against the "Seller" as the owner of them and shall pay all of his debts due and/or accrued in connection with the said property, business and assets during or in connection with his ownership of them.

* * * * * * *

[fol. 1816] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 23

Purchase Agreement

This Agreement, made this Eighth day of February, 1935, by and between Missouri District Telegraph Company, a Missouri corporation, party of the first part, hereinafter referred to as the "Buyer", and Signal Protective Service Company, also a Missouri corporation, party of the second part, hereinafter referred to as the "Seller".

Witnesseth:

That in consideration of the sum of One Dollar ($1.00), lawful money of the United States, by each party to the other in hand paid, receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained, the parties hereto mutually agree as follows:

First: The "Seller" hereby agrees to sell and the "Buyer" hereby agrees to purchase all of the "Seller's" business, property and assets, including all of the "Seller's" right, title and interest in and to all wires, cables, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies and all plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of the "Seller's" right, title and interest in, under and to all contracts with subscribers for service, account books, accounts, notes, bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents, permissions and licenses from private corporations, individ-

uals and property owners, franchises, leases, permits and agreements for the use of the streets and for connecting wires with municipal fire and police departments and installing apparatus therein, patents, applications for patents [fols. 1817-1820] and licenses under patents, excepting from the aforesaid business, property and assets only the "Seller's" cash on hand and in banks, real estate and buildings, which shall remain the property of the "Seller".

* * * * * * *

[fol. 1821] Fourteenth: The "Seller" shall, as soon as possible after the date of delivery of possession, pay all taxes levied and/or assessed against it and shall pay all [fols. 1822-1823] of its debts and shall procure its dissolution as a corporation, pursuant to the laws of the State of Missouri in such cases made and provided. In any event, the said dissolution shall become effective within one year after the date of delivery of possession unless the time limit is extended by mutual agreement of the parties hereto.

* * * * * * *

[fols. 1824-1828] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 24

Bill of Sale

Know All Men By These Presents: That Automatic Alarms, Ltd., a corporation of the State of California, hereinafter referred to as the "Seller", for and in consideration of the sum of Six thousand three hundred and seventy eight and no/100 Dollars ($6378.00) lawful money of the United States, and other good and valuable considerations, to it in hand paid on or before the ensealing and delivery of these presents by American District Telegraph Company, also a corporation of the State of California, hereinafter referred to as the "BUYER", the receipt whereof is hereby acknowledged, has bargained and sold and by these presents does grant, convey, assign, transfer and set over unto the said "Buyer" its successors and assigns, free and clear of all encumbrances, all of its right, title and interest, in, under and to all of its contracts with sub-

scribers to Central Station Burglar Alarm service, as listed in Schedule A, attached to and made a part hereof, and certain materials and devices listed in Schedule B also attached to and made a part hereof, together with all of the Burglar Alarm wiring, devices and equipment as at present installed in the premises of the aforesaid subscribers and all accounts, notes and bills receivable from said subscribers.

To Have And To Hold the same unto the said "Buyer", its successors and assigns forever.

And the said "Seller" does for itself, its successors and assigns, for the aforesaid and other considerations herein covenant and agree to and with the said "Buyer" its successors and assigns as follows:

First: That this sale, assignment, transfer and conveyance of the herein described property has been duly authorized by the directors of the said "Seller", as required by and in accordance with the laws of the State of California and the Articles of Incorporation and the By-Laws of the said "Seller".

. . . . . .

[fols. 1829-1831] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 25

Purchase Agreement

This Agreement, made this 20th day of May, 1938, by and between American District Telegraph Company, a California corporation, party of the first part, hereinafter referred to as the "Buyer" and Los Angeles Central Station Inc., also a California corporation, party of the second part, hereinafter referred to as the "Seller", Witnesseth:

That in consideration of the sum of one (1) Dollar, lawful money of the United States, by each party to the other in hand paid, receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained, the parties hereto mutually agree as follows:

First: The "Seller" agrees to sell and the "Buyer" hereby agrees to purchase all of the "Seller's" business,

property and assets (excepting stock of Potter Manufacturing Company), including all of the "Sellers" right, title and interest in and to all wires, cables, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies and all plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of the "Seller's" right, title and interest in, under and to all contracts with subscribers for service, account books, accounts, notes, bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents, permissions and licenses from private corporations, individuals and property owners, it being understood that all obligations under lease of premises at 731 South Spring Street, Los Angeles, California, shall rest with the "Seller".

* * * * * * *

[fol. 1832] Twelfth: The "Seller" shall, as soon as pos-
[fols. 1833-1834] sible after the date of delivery of possession, pay all taxes not provided for in Section Eleventh hereof and shall pay all of its debts and shall procure its dissolution as a corporation pursuant to the laws of the State of California in such cases made and provided. In any event, the said dissolution shall become effective within one year after date of delivery of possession unless the time limit is extended by mutual agreement of the parties hereto.

* * * * * * *

[fol. 1835] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 26-1

This Agreement, made this 9th day of August 1946, by and between Mr. R. Houghton, of 29 Glendale Avenue, Detroit, Michigan, party of the first part, and the A. D. T. Company, a corporation of the State of Michigan, party of the second part,

Witnesseth:

Whereas, concurrently with the execution of this agreement, the party of the first part, as one of the partners in Reliance Alarm Company, a partnership doing business in the State of Michigan and elsewhere under that name, has entered into an agreement in writing, whereunder the party of the second part has agreed to purchase all of the business, property and assets of the Reliance Alarm Company, described therein,

Now, Therefore, in consideration of the foregoing, and of the sum of One Dollar ($1.00), good and lawful money of the United States, paid to the party of the first part by the party of the second part, receipt whereof is hereby acknowledged, the party of the first part does hereby covenant and agree, to and with the party of the second part, as follows:

First—This agreement shall be and shall remain in full force and effect for a period of twenty (20) years from and after the date of its execution.

Second—The territory covered by this agreement shall be the United States of America, exception the States of Arizona, Idaho, Montanna, Nevada, New Hampshire, New Mexico, Utah, Vermont and Wyoming, and the Counties of Emmet, Cheboygan, Presque Isle and Alpena in the State of Michigan.

Third—The party of the first part hereby agrees not to engage, either directly or indirectly, in any form of [fol. 1836] signalling, alarm, or protection service business and, more particularly, the party of the first part hereby agrees not to engage, either directly or indirectly, in the business of manufacturing, buying, selling, renting or leasing, installing, maintaining, inspecting, or operating any devices, apparatus or systems for the detection or prevention of fire, burglary, robbery, theft, holdup, pilferage or raid or for the giving, sounding, recording, or transmission of any signal, alarm, record or notification in the event of any of the aforesaid happenings, and the party of the first part hereby further agrees not to engage, either directly or indirectly, in the business of manufacturing, buying, selling, renting or leasing, installing, maintaining, inspecting or operating any devices, apparatus or systems for

the supervision of watchman or for the supervision of automatic sprinkler systems or for the giving, sounding, recording or transmission of any signal, alarm, record or notification in the event of the functioning or failure to function of any automatic sprinkler system or any part or parts thereof.

Fourth—The party of the first part hereby agrees that he will render whatever cooperation and assistance he may consider reasonable in the establishment of desirable relationships between the customers of Reliance Alarm Company and the party of the second part.

In Witness Whereof, the parties hereto have signed these presents and affixed their respective seals on the day and year first above written.

(Signed) R. Houghton, A.D.T. Company (Mich.),
By: R. A. Ward, President

A. P. Leete, Witness

[Seal]

Attest: W. R. MacDonald, Secretary

[fol. 1837] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 26-2

This Agreement, made this 9th day of August 1946, by and between Mr. Peter Bens of Detroit, Michigan, party of the first part, and A.D.T. Company, a corporation of the State of Michigan, party of the second part,

Witnesseth:

Whereas, concurrently with the execution of this agreement, the party of the first part, as one of the partners in Reliance Alarm Company, a registered partnership doing business in the State of Michigan under that name, has entered into an agreement in writing, whereunder the party of the second part has agreed to purchase all of the business, property and assets of the Reliance Alarm Company, described therein,

Now, Therefore, in consideration of the foregoing, and of the sum of One Dollar ($1.00), good and lawful money

of the United States, paid to the party of the first part by the party of the second part, receipt whereof is hereby acknowledged, the party of the first part does hereby covenant and agree, to and with the party of the second part, as follows:

First—This agreement shall be and shall remain in full force and effect for a period of twenty (20) years from and after the date of its execution.

Second—The territory covered by this agreement shall be the United States of America, excepting the States of Arizona, Idaho, Montana, Nevada, New Hampshire, New Mexico, Utah, Vermont and Wyoming, and the Counties of Emmet, Cheboygan, Presque Isle and Alpena in the State of Michigan.

Third—Except as in Article Fourth hereof specifically provided, the party of the first part hereby agrees not to engage, either directly or indirectly, in any form of signalling, alarm, or protection service business and, more particularly, the party of the first part hereby agrees not to [fol. 1838] engage, either directly or indirectly, in the business of manufacturing, buying, selling, renting or leasing, installing, maintaining, inspecting, or operating any devices, apparatus or systems for the detection or prevention of fire, burglary, robbery, theft, holdup, pilferage or raid or for the giving, sounding, recording, or transmission of any signal, alarm, record or notification in the event of the aforesaid happenings, and the party of the first part hereby agrees not to engage, either directly or indirectly, in the business of manufacturing, buying, selling, renting or leasing, installing, maintaining, inspection or operating any devices, apparatus or systems for the supervision of watchman or for the supervision of automatic sprinkler systems or for the giving, sounding, recording or transmission of any signal, alarm, record or notification in the event of the functioning or failure to function of any automatic sprinkler system or any part thereof.

Fourth—It is expressly understood and agreed by and between the parties hereto that the party of the first part shall have the right to manufacture, sell, rent, lease, install, maintain, inspect or operate any device, apparatus or systems for application to individual passenger automo-

biles to protect them against unauthorized entry or theft.

Fifth—The party of the first part hereby agrees that he will render whatever cooperation and assistance he may consider reasonable in the establishment of desirable relationships between the customers of the Reliance Alarm Company, and the party of the second part.

In Witness Whereof, the parties hereto have signed these presents and affixed their respective seals on the day and year first above written.

(Signed) Peter Bens L.S. A.D.T. Company (Michigan), By R. A. Ward, President

A. P. Leete, Witness

[Seal]

Attest: W. R. MacDonald, Secretary

[fol. 1839] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 26-3

Schedule Showing Computation of Purchase Price

Total recurring annual contract service charges at August 31, 1946		$182,112.40	
Add: Annual rentals under new contracts secured and installed subsequently to 8/31/46		6,474.60	
Total			$188,587.00
Deduct: Annual rentals under contracts discontinued subsequently to 8/31/46			4,144.00
Total recurring annual service charges			$184,443.00
Purchase price at $1.50 for each $1.00 of recurring annual service charges			$276,664.50
Add:			
Account uninstalled contracts:			
Recurring annual service charges under uninstalled contracts	$6,676.80		
1/3 of foregoing		$2,225.60	
Cost value of labor and material expended by seller in connection with foregoing incompletely installed contracts		$ 446.45	
Amount by which inventory of materials and supplies exceeds $5,000		$4,522.63	
Prepayments applying subsequently to 10/1/46		$ 290.98	7,485.66
Total			$284,150.16
Deduct:			
Advance collections	$1,252.19		$ 1,755.14*
Adjusted purchase price			$282,395.02

* Cost of material and labor necessary to complete work on contracts in force.

	502.95
	$1,755.14

Certified As Correct:

P. Bens, J. A. Clark, Detroit, Michigan—October 1, 1946.

[fol. 1840] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 27

Purchase Agreement

This Agreement, made this 28th day of October, 1946, by and between The Ohio Messenger and Telegraph Company, a corporation of the State of Ohio, party of the first part, hereinafter referred to as the "Buyer", and The American District Telegraph Company of Hamilton County Ohio, a corporation of the State of Ohio, party of the second part, hereinafter referred to as the "Seller".

Witnesseth:

Whereas, the "Seller" desires to sell and the "Buyer" desires to purchase all of the business, property and assets of The American District Telegraph Company of Hamilton County Ohio, including all of its right, title and interest in and to all wires, cables, ducts, conduits, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies, plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of its right, title and interest in, under and to all contracts and agreements with subscribers for service, account books (insofar as these relate to accounts with subscribers), accounts, notes and bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, right of way, consents, permissions and licenses from private corporations, individuals and property owners, franchises, licenses, permits and agreements for the use of the streets and for connecting wires with municipal fire and police departments and installing apparatus therein, patents, applications for patents and licenses under patents, excepting only the cash on hand and in banks, land and buildings of the "Seller" and plant and equipment installed in the premises of subscribers to any form of protection service situated in the State of Kentucky.

Now Therefore, in consideration of the sum of One Dollar ($1.00), lawful money of the United States, by each

party to the other in hand paid, receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained, the parties hereto mutually agree as follows:

First: The "Seller" hereby agrees to sell and the "Buyer" hereby agrees to purchase, all of the "Seller's" aforesaid business, property and assets, including all of the "Seller's" right, title and interest in and to all wires, cables, ducts, conduits, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies, plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of its right, title and interest in, under and to all contracts and agreements with subscribers for service, account books (insofar as these relate to accounts with subscribers), notes and bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents, permissions and licenses from private corporations, individuals and property owners, franchises, licenses, permits and agreements for the use of the streets and for connecting wires with municipal fire and police departments and installing apparatus therein, patents, applications for patents and licenses under patents, excepting from said business, property and assets only the cash on hand and in banks, land [fols. 1841-1843] and buildings of the "Seller" and plant and equipment installed in the premises of subscribers to any form of protection service situated in the State of Kentucky.

* * * * * * *

[fols. 1844-1846] Fourteenth: The "Seller" shall:

(a) As soon as possible after the time of delivery of possession, cause The American District Telegraph Company of Hamilton County Ohio, to change its corporate name, by due process of law, so that the "Buyer" will have prompt opportunity to form a corporation under the name of The American District Telegraph Company of Hamilton County Ohio, or similar name.

(b) As soon as possible after the time of delivery of possession, but in any event, not later than one year thereafter, (1) liquidate note due to Estate of Teressa M. Ludlow, deceased, (2) pay all taxes levied and/or assessed against it and (3) pay all other debts of the corporation excepting only that owing to Walter S. Ludlow, Jr. for accrued salaries and

(c) Within a period of five (5) years, (1) pay its indebtedness to Walter S. Ludlow, Jr. for accrued salaries and (2) procure its dissolution as a corporation pursuant to the laws of the State of Ohio in such cases made and provided.

Fifteenth: The "Seller" hereby agrees that subsequently to the time of delivery of possession, it will not, either under its present or changed name, engage, either directly or indirectly in any form of signalling, alarm or protection service business.

Sixteenth: The "Buyer" shall pay to the "Seller" for the aforesaid business, property and assets, at the time of delivery of possession, a sum equal to One and 51/100 Dollars ($1.51) for each One Dollar ($1.00) of the "Seller's" total recurring annual contract rental and/or service revenue, in force or under contract at the time of delivery of possession, as the same shall be determined by the "Buyer's" proper check and investigation as to the amount thereof, the "Seller" hereby agreeing that no annual rental and/or service charge receivable from any of the "Seller's" subscribers shall be considered as recurring revenue for the purpose hereof unless the "Buyer" shall be satisfied that the subscriber is both willing and able to continue to use and to pay for the service (except as any unwillingness on the part of a subscriber to continue to use and pay for the service is conditioned upon the purchase by the "Buyer" of the business, property and assets of the "Seller"), and if the "Seller" is not satisfied with the decision of the "Buyer" in this respect the "Buyer" agrees that the "Seller" may cancel and annul this agreement without penalty or obligation. It is understood and agreed that the "Buyer" shall not willfully disclose to the "Seller's" subscribers the pendency of this negotiation for

the sale and purchase of the "Seller's" business in the process of any oral or written enquiries which may be made by the "Buyer" in the process of verifying the willingness and ability of the "Seller's" subscribers to continue to use and to pay for the service of the "Seller".

Seventeenth: The "Buyer" shall deduct from the purchase price, as determined in accordance with Article Sixteenth, hereof, and shall retain, a sum of money equal to the total of all collections from subscribers received by the "Seller" prior to the time of delivery of possession for services to be performed subsequently to that time.

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[fols. 1847-1849] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 28-1

Purchase Agreement

This Agreement, made this 28th day of October, 1946, by and between The Ohio Messenger and Telegraph Company, a corporation of the State of Ohio, party of the first part, hereinafter referred to as the "Buyer", and the Ludlow Automatic Fire Alarm Company, a corporation of the State of Ohio, party of the second part, hereinafter referred to as the "Seller".

Witnesseth:

Whereas, the "Seller" desires to sell and the "Buyer" desires to purchase all of the business, property and assets of The Ludlow Automatic Fire Alarm Company, including all of its right, title and interest in and to all wires, cables, ducts, conduits, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies, plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of its right, title and interest in, under and to all contracts and agreements with subscribers for service, account books (insofar as these relate to accounts with subscribers), accounts, notes and bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents,

permissions and licenses from private corporations, individuals and property owners, franchises, licenses, permits and agreements for the use of the streets and for connecting wires with municipal fire and police departments and installing apparatus therein, patents, applications for patents and licenses under patents, excepting only the cash on hand and in the banks and land and buildings of the "Seller".

Now Therefore, in consideration of the sum of One Dollar ($1.00), lawful money of the United States, by each party to the other in hand paid, receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained, the parties hereto mutually agree as follows:

First: The "Seller" hereby agrees to sell and the "Buyer" hereby agrees to purchase, all of the "Seller's" aforesaid business, property and assets, including all of the "Seller's" right, title and interest in and to all wires, cables, ducts, conduits, tools, vehicles, furniture, fixtures, machinery, apparatus, appliances, devices, materials, supplies, plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers' premises or elsewhere, together with all of its right, title and interest in, under and to all contracts and agreements with subscribers for service, account books (insofar as these relate to accounts with subscribers), accounts, notes and bills receivable and choses in action, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents, permissions and licenses from private corporations, individuals and property owners, franchises, licenses, permits and agreements for the use of the streets and for connecting wires with municipal fire and police departments and installing apparatus therein, patents, applications for patents and licenses under patents, excepting from said business, property and assets only the cash on hand and in banks and land and building of the "Seller".

* * * * * * *

[fol. 1850] Fourteenth: The "Seller" shall, as soon as possible but in any event not later than one year after the time of delivery of possession, pay all taxes levied and/or as-

[fols. 1851-1853] sessed against it, pay all of its debts and procure its dissolution as a corporation pursuant to the laws of the State of Ohio in such cases made and provided.

Fifteenth: The "Buyer" shall pay to the "Seller" for the aforesaid business, property and assets, at the time of delivery of possession, a sum equal to Two and 20/100 Dollars ($2.20) for each One Dollar ($1.00) of the "Seller's" total recurring annual contract rental and/or service revenue, in force or under contract at the time of delivery of possession, as the same shall be determined by the "Buyer's" proper check and investigation as to the amount thereof, the "Seller" hereby agreeing that no annual rental and/or service charge receivable from any of the "Seller's" subscribers shall be considered as recurring revenue for the purpose hereof unless the "Buyer" shall be satisfied that the subscriber is both willing and able to continue to use and to pay for the service (except as any unwillingness on the part of a subscriber to continue to use and pay for the service is conditioned upon the purchase by the "Buyer" of the business, property and assets of the "Seller"), and if the "Seller" is not satisfied with the decision of the "Buyer" in this respect the "Buyer" agrees that the "Seller" may cancel and annul this agreement without penalty or obligation. It is understood and agreed that the "Buyer" shall not willfully disclose to the "Seller's" subscribers the pendancy of this negotiation for the sale and purchase of the "Seller's" business in the process of any oral or written enquiries which may be made by the "Buyer" in the process of verifying the willingness and ability of the "Seller's" subscribers to continue to use and to pay for the service of the "Seller".

Sixteenth: The "Buyer" shall deduct from the purchase price, as determined in accordance with Article Fifteenth, hereof, and shall retain, a sum of money equal to the total of all collections from subscribers received by the "Seller" prior to the time of delivery of possession for services to be performed subsequently to that time.

Seventeenth: The "Buyer" shall reimburse the "Seller", on a pro rata basis, for insurance and bond premiums and wire facility rentals paid by the "Seller" prior to the time of delivery of possession for the benefit of operations subsequently thereto.

Eighteenth: The "Seller" and the "Buyer" hereby mutually agree that this agreement may be cancelled and annulled at the option of the "Buyer" and that the "Buyer" shall be released from all liabilities and obligations hereunder in the event that:

(a) The "Seller" shall fail to fulfull any of its obligations under this agreement, or in the event that
(b) The kind, quality, quantity or condition of the aforesaid physical property of the "Seller" is unsatisfactory to the "Buyer", or in the event that
(c) The "Seller" is found to have contractural or other obligations or arrangements with others which the "Buyer" would not care to assume.

Nineteenth: This agreement shall be binding upon and inure to the benefit of the nominees, successors and/or assigns of each of the parties hereto.

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[fols. 1854-1856] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 28-2

NEW YORK

December 2, 1946.

Memorandum for
Mr. J. A. MacDonald,
Auditor:

Purchase of Ludlow Companies—Cincinnati, Ohio

The purchase prices for American District Telegraph Company of Hamilton County, Ohio and Ludlow Automatic Fire Alarm Company amounted to $46,255.11 and $22,748.74, respectively, in accordance with the statements covering computations of purchase prices certified by our traveling auditor and by the Secretary of the purchased companies.

The $46,255.11 paid for the specified property and business of the A.D.T. Co. was made up of $45,655.33 for the Ohio business purchased by Ohio Messenger and Telegraph Company and $599.78 for its Kentucky business, purchased by

the American Protection Company, our Kentucky operating subsidiary. The American Protection Company paid for the property which it purchased from the A.D.T. Co. of Hamilton County by separate check for $599.78 drawn by the Treasurer of the American Protection Company to the order of the A.D.T. Co. of Hamilton County.

The Treasurer deposited $75,000. in a special account in the name of the Ohio Messenger and Telegraph Company and from this amount the Ohio Messenger and Telegraph Company paid for the property and business which it purchased from A.D.T. Co. of Hamilton County and the Ludlow Automatic Fire Alarm Co., as follows:

Check No.	Date	To Order Of	Amount
1	11/30/46	American District Telegraph Company of Hamilton County, Ohio	$39,960.65
2	11/30/46	Ludlow Automatic Fire Alarm Company & American District Telegraph Company of Hamilton County, Ohio	1,100.00
3	11/30/46	Estate of Teresa M. Ludlow, deceased, & American Distrtict Telegraph Company of Hamilton Country, Ohio	4,594.68
4	11/30/46	Ludlow Automatic Fire Alarm Company	22,748.74
5	11/30/46	W. P. Marshall, Treasurer, Ohio Messenger and Telegraph Company	6,595.93
		Total	$75,000.00

[fols. 1857-1859] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 29

Agreement

This Agreement, made this 13th day of May, 1954, by and between the American District Telegraph Company, a corporation of the State of California, party of the first part, hereinafter referred to as the "Buyer", and Mr. Harry Gerber of Glendale, California, party of the second part, hereinafter referred to as the "Seller".

Witnesseth:

Whereas: The "Seller" has heretofore purchased and is the owner of all of the business, property and assets of the Crown Burglar Alarm Systems, Pasadena, California (hereinafter called "Crown"), and,

Whereas: The "Buyer" desires to purchase and the "Seller" desires to sell that portion of the property of Crown represented by all of the central station burglar alarm contracts and related property within subscribers' premises and in Crown's central station, including moneys due and to become due to Crown or "Seller" from subscribers after May 3, 1954, on accounts, notes and bills receivable.

Now, therefore, in consideration of the following covenants, warranties and payment, the parties hereto mutually agree as follows:

• • • • • • •

[fol. 1860] Sixth: The "Buyer", as promptly as possible, shall connect the central station burglar alarm subscribers of the "Seller" to its own central station by means of leased wires, and the "Seller" hereby agrees to continue to furnish central station burglar alarm service to subscribers which are the subject of this contract of sale, until such time as the "Buyer" has completed such connection. The "Seller" agrees to continue to assume full cost and responsibility for central station burglar alarm operation, including all liability which may accrue from such operation regardless of cause, until such central station burglar alarm operation has been assumed by the "Buyer" coincident with connection to its central station. As evidence of full assumption of responsibility and risk by the "Buyer", the "Buyer" shall notify the "Seller" in writing of the effective date and time of each such connection to its central station. In the event "Buyer" shall not have connected said central station burglar alarm subscribers of "Seller" to "Buyer's" own central station by May 31, 1954, "Buyer" agrees to reimburse "Seller" for the cost and expense incurred by "Seller' in maintaining and operating said central station burglar alarm service from June 1, 1954 until said subscribers are connected to "Buyer's" central station, including the amount of not in excess of $50.00 paid by "Seller" for rent of said central station.

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[fol. 1861] Eighth: The "Buyer" shall pay to the "Seller" for the aforesaid central station burglar alarm business, property and assets, on or before May 31, 1954, the sum of Fourteen Thousand Dollars ($14,000) based on the warranty of the "Seller" that the approximate total recurring annual contract rental and/or service revenue, in force or under central station burglar alarm contracts on the date of delivery of possession, amounts to Fourteen Thousand Eight Hundred Thirty-two Dollars ($14,832):

Ninth: The "Seller" and the "Buyer" hereby mutually agree that the purchase price hereinabove provided for shall be diminished in the event the "Buyer's" proper check and investigation shall show the total recurring annual contract rental and/or service revenue in force or under central station burglar alarm service contracts on the date of delivery of possession amounts to less than $14,832. The extent of such diminution shall be determined as that percentage of such reduced recurring annual contract rental and/or service revenue which the sum of $14,000 bears to $14,832.

Tenth: The "Buyer" shall reimburse the "Seller", on [fol. 1862] a pro rata basis, for wire facility rentals paid by the "Seller" or by Crown prior to the date of delivery of possession for the benefit of operations subsequently thereto, unless the "Buyer", at its option, shall elect to permit the "Seller" to obtain and retain refunds for such advance payment.

Eleventh: This agreement shall be binding upon and inure to the benefit of the nominees, successors and/or assigns of each of the parties hereto.

In Witness Whereof, The parties hereto have signed these presents, or caused them to be signed by their qualified officers thereunto duly authorized, and have caused their respective seals to be hereunto affixed the day and year first above written.

American District Telegraph Company By W. K. Francis, Assistant, Commercial Superintendent. By Harry Gerber, L.S.

Witnesses:

Velma Brown, ——, ——.

[fol. 1863] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 30-1

AMERICAN DISTRICT TELEGRAPH COMPANY

Electric Protection Services

Executive Offices—155 Sixth Avenue, New York 13, N.Y.
Algonquin 5-0200

June 8, 1954.

Mr. Harold H. Gray
Globe Electric Protection
1615 Pacific Avenue
Atlantic City, N.J.

Dear Mr. Gray:

This is with reference to the discussions which Mr. Bodley and I, on behalf of the A.D.T. Company (a New Jersey corporation) have had with you, and, as per your recent request over the telephone, to confirm, and to outline the plan of procedure in connection with the A.D.T.'s proposal to buy, for the sum of $7,500 and the other considerations hereinafter set forth, certain physical properties, parts of your burglar alarm systems, in Atlantic City and Ocean City, N.J., together with the good will (exclusive of contracts with subscribers) of your business.

The physical properties which the A.D.T. is offering to buy are the electric protection and protective equipment installed and currently maintained by you in the premises of your burglar alarm subscribers in Atlantic City and Ocean City, together with, in Ocean City, the headquarters equipment in the Police Department. It is to be understood that the equipment in the premises of your subscribers was and always is installed under their respective contracts with you or your predecessor, Globe Electric Service, Inc., and that title thereto is effectively reserved to and held by you under all such contracts, whether previously or currently being entered into.

As you have been advised, the A.D.T. proposes to conduct its burglar alarm and fire alarm business in these localities by directly connecting its subscribers' systems to headquarters equipment to be installed by it in the Police Department and Fire Department headquarters. Hence

the A.D.T. is not interested in acquiring your central station premises or lease, and neither these nor any central office equipment, tools, supplies, furniture, etc., are included in the offer of purchase.

It is to be understood and agreed (a) that the A.D.T. does not assume and shall not be liable for any debts or obligations on your part; (b) that the properties so to be acquired by the A.D.T. shall be free and clear of any and all debts, claims, liens or encumbrances, and (c) that the A.D.T. is not obligated and does not propose to take you or any of your employees into its employment.

At our meeting in your office last November you furnished us with a list of your then subscribers. This is to be brought up to date at the time an agreement of purchase and sale between you and the A.D.T. is made effective, and is subsequently to be supplemented and brought up to date from time to time as changes may occur.

[fol. 1864] It is understood that all your present subscribers' contracts are on a 30-day cancellation basis except that of the Federal Wine & Liquor, 418 North Carolina Avenue, Atlantic City, which does not expire until July 1, 1954. It is to be further understood and agreed that you will not write any supplemental or new subscribers' contract extending beyond July 1, 1954.

It would probably take the A.D.T. 90 days, more or less, after June 18, 1954, to complete the canvassing and rewriting of your subscribers and their from time to time conversion to A.D.T. service. Accordingly, until this has been completely accomplished, you will be required to operate your present central station for at least some of your subscribers during the changeover period. Assuming an agreement of purchase and sale were effected on or before June 18, 1954, it would be understood that you are to continue to operate your central station entirely at your expense until September 18, 1954, or the earlier (or possibly, as hereafter provided, later) completion of the changeover. Beginning about June 18, the A.D.T. plans to undertake the changeover of your subscriber installations to its service as rapidly as possible and as each is changed over, title to the installation is to pass to the A.D.T. and you would be relieved of the maintenance or operation of such installation. However, as to any such

changeover installation the A.D.T. will make up to you any loss of revenue therefrom for the period following the changeover and September 18, 1954, or the earlier (or possibly, as hereafter provided, later) completion of the changeover. This will serve to maintain substantially your present monthly income until September 18, 1954, or such time, as above, as the operation of your central office is no longer required for the purposes of the changeover. The A.D.T. reserves and is to have the right, at its option, by written notice to you, to extend the changeover period for up to thirty days beyond September 18, 1954.

It is specifically understood and agreed that you will by proper and due notice in writing terminate your service contract with any subscriber whose contract and service has not on or before July 18, 1954, been superseded by a service contract with the A.D.T., and that, coincident with the effective date of such termination, title to such subscriber's installation shall pass to the A.D.T.

The $7,500 cash consideration is to be paid $5,000 on the cessation, as above, of all service by you through your Atlantic City central office, and the balance of $2,500 on the discontinuance and dismantling of said central office.

The A.D.T. further agrees to pay you such additional amount, if any, as may develop from the application of the following formula:

There shall be computed (1) the aggregate of the annual service charges under your pre-existing service contracts which have been rewritten by the A.D.T. at equal or higher rates; and (2) the aggregate of the annual service charges under contracts rewritten by the A.D.T. at rates lower than those under your pre-existing contracts. If 80% of the sum of the two aggregate figures exceeds $7,500 the A.D.T. will pay to you an additional sum equal to the amount of such excess.

As part of and further consideration for the agreement it is to be understood and agreed that

(a) You will lend your cooperative aid in and towards your subscribers entering into superseding service contracts with the A.D.T.

[fol. 1865] (b) You shall cease rendering burglar alarm service in Atlantic City and Ocean City and discontinue and dismantle your Atlantic City Central Office promptly

upon the completion of the change over period, hereinbefore specified or provided for.

(c) You will, during the period of five years from June 18, 1954, not, either directly or indirectly, engage or participate in or in connection with the burglar alarm or fire alarm business, central office or local, in Atlantic City or Ocean City, nor attempt to or divert or take away any subscriber or customer or prospective subscriber or customer of the A.D.T. in either of said Cities, nor do any act or thing inimical or detrimental to the business or business interests of A.D.T., and that on any threatened act or thing on your part, or anything done or caused to be done by you, in violation of the foregoing the A.D.T. shall be entitled to an injunction to prevent such breach or further breach thereof, to be issued by any court of equity, enjoining and restraining you from such breach and any further or continuation of any such breach.

The proposed purchase is to be contingent and conditioned upon the A.D.T. being given permission, on or before June 18, 1954, by the city of Atlantic City to directly connect its burglar alarm systems to its headquarters equipment in the Police Headquarters and its fire alarm systems to its headquarters equipment in Fire Headquarters of said city, failing such permissions being granted, the A.D.T. may, at its option, cancel the agreement of purchase and sale by written notice to you, without any obligation or liability to you in the premises.

You will note the approval and authorization, which is subject to your acceptance on or before June 18, 1954, of the foregoing endorsed below by the A.D.T. Company. If this proposal is acceptable to you will you kindly endorse your acceptance and agreement below on the duplicate hereof and return the duplicate so endorsed to us on or before June 18, 1954 thereby constituting this an agreement between you the the A.D.T. Company.

Cordially yours, Ray Brechbill.

EE

Approved and Authorized—Dated June 8, 1954.
A.D.T. Company, By John Hanson, Secretary.

Accepted and Agreed to—Dated June 9, 1954.
Globe Electric Protection, Harold H. Gray.

[fol. 1866] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 30-2

AMERICAN DISTRICT TELEGRAPH COMPANY
Electric Protection Services

Executive Offices—155 Sixth Avenue, New York 13, N. Y.
Algonquin 5-0200

June 15, 1954.

Mr. Harold H. Gray
Globe Electric Protection
1616 Pacific Avenue
Atlantic City, N.J.

Dear Mr. Gray:

This is with respect to the agreement evidenced by our letter to you of June 8, 1954, and your acceptance and agreement thereof under date of June 9, 1954, and with reference to your request for a modification of the terms of payment of the $7,500 set forth in the paragraph reading:

> "The $7,500 cash consideration is to be paid $5,000 on the cessation, as above, of all service by you through your Atlantic City central office, and the balance of $2,500 on the discontinuance and dismantling of said central office."

We are agreeable to the amendment of the above provision to the following effect:

The $7,500 cash consideration is to be paid $2,500 upon the A.D.T. being given permission, on or before June 30, 1954, by the city of Atlantic City to directly connect its burglar alarm systems to its headquarters equipment in the Police Headquarters and its fire alarm systems to its headquarters equipment in Fire Headquarters of said city; $2,500 within 45 days thereafter, and the balance of $2,500 on the discontinuance and dismantling of said central office.

It is further agreed that the date June 30, 1954, be sub-

stituted in place of June 18, 1954, in the next to the last paragraph of our above letter agreement.

The prompt endorsement of your acceptance and agreement below on the duplicate hereof and the return to me of the duplicate so endorsed will put the foregoing amendment into effect.

Cordially yours, Ray Brechbill

EE

Approved and Authorized—Dated June 15, 1954.
A.D.T. Company, By John Hanson

Accepted and Agreed to—Dated June 17, 1954.

Globe Electric Protection, Harold H. Gray

[fol. 1867] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 31

This Agreement, made this 9th day of March, 1955, by and between American District Telegraph Company, a corporation of the State of Massachusetts, party of the first part, hereinafter referred to as the Buyer, and General Alarm Corporation, a corporation of the State of Massachusetts, hereinafter referred to as the Seller.

Witnesseth:

Whereas, the Seller desires to sell and the Buyer desires to purchase all of the property, contracts and business of General Alarm Corporation, Boston, Massachusetts, including the property and business of its Device Manufacturing Division and excepting only the cash, securities, leaseholds and land and buildings, if any, of the Seller.

Now Therefore, in consideration of the following covenants, warranties and payment, the parties hereto mutually agree as follows:

First: Subject to the following conditions, the Seller hereby agrees to sell and the Buyer agrees to purchase, all of the Seller's aforesaid business, property and assets including the property and business of its Device Manufacturing Division and excepting only the cash, securities,

leaseholds and land and buildings, if any, free and clear of all encumbrances.

. . . . . .

[fol. 1868] Ninth: As soon as possible after the time of delivery of possession and liquidation the Seller shall pay all its indebtedness and procure its dissolution as a corporation pursuant to the laws of the State of Massachusetts in such cases made and provided.

Tenth: The Buyer shall pay to the Seller at the time of delivery of possession for the aforesaid property, contracts and business including the property and business of Seller's Device Manufacturing Division, the sum of Three Hundred Thousand ($300,000) Dollars.

. . . . . .

[fol. 1869] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 32

This Agreement made this 10th day of June, 1959 by and between Federal Automatic Alarm Co., Inc., a New Mexico corporation, hereinafter referred to as the Seller; American District Telegraph Company, a New Mexico corporation, hereinafter referred to as the Buyer; and Henry J. Jackson, President of the Seller, hereinafter referred to as Jackson.

Witnesseth:

Whereas the Seller desires to sell and the Buyer desires to purchase all of the property, contracts and business of the Seller, excluding only cash on hand, securities, automobiles and leaseholds (except to the extent hereinafter qualified).

Now, Therefore, in consideration of the following covenants, warranties and payment, the parties hereto mutually agree as follows:

First: Subject to the following conditions the Seller hereby agrees to sell and the Buyer agrees to purchase all of the Seller's aforesaid business, property and assets excepting only its cash on hand, securities, automobiles and leaseholds (with the exception hereinafter set forth),

free and clear of all debts and encumbrances. It is intended that the business, property and assets of Automatic Alarm Company are included in this purchase.

* * * * * * *

[fol. 1870] Ninth: As soon as possible after the time of delivery of possession and the liquidation of the Seller, the [fol. 1871] Seller shall pay all of its indebtedness and procure its dissolution as a corporation pursuant to the laws of the State of New Mexico.

Tenth: The Buyer shall pay a purchase price of One Hundred Thousand ($100,000.) Dollars to the Seller as follows:

One Thousand ($1,000.) Dollars upon the execution of this Agreement, the receipt whereof is hereby acknowledged by the Seller; and

Ninety-Nine Thousand ($99,000.) Dollars at the time of delivery of possession.

Eleventh: As soon as computations can be made, the Seller shall reimburse the Buyer a sum of money equal to the total of all collections from subscribers received by the Seller prior to the time of delivery of possession for services to be performed to such time, and the Buyer shall reimburse the Seller:

(1) On a pro rata basis for insurance and bond premiums and wire facility rentals paid by the Seller prior to the time of delivery of possession, but applicable to operations subsequent thereto; and

(2) As and when collected by the Buyer making reasonable effort to collect without resort to legal process, for any moneys received from subscribers after the time of delivery of possession but for services performed by the Seller prior thereto.

* * * * * * *

[fol. 1872] Fourteenth: The Buyer shall be entitled to occupy the premises presently comprising the Seller's central station, from month to month, until such time as it is able to make alternative arrangements to carry on the

service presently conducted by the Seller. The Seller shall pay a monthly rental, if any, for such premises equivalent to that paid presently by the Seller, not to exceed $50.00 per month.

Fifteenth: Jackson covenants to and with the Buyer that for a period of five (5) years from the date of delivery of possession he will not, directly or indirectly, either as principal, agent, manager, employee, owner, partner (dormant or otherwise), stockholder, director or officer of a corporation, or otherwise, engage or become interested financially or otherwise in any business or occupation similar to or in competition with the business intended to be transferred, in the States of New Mexico or Arizona.

Sixteenth: Jackson hereby guarantees the performance by the Seller of all of its covenants, agreements and obligations hereunder.

Seventeenth: All warranties, covenants and agreements herein shall survive the delivery of possession.

Eighteenth: This Agreement shall be binding upon and inure to the benefit of the successors, assigns and personal representatives of each of the parties hereto.

In Witness Whereof the parties have hereunto affixed their names or caused this Agreement to be signed by their qualified officers thereunto duly authorized and affixed their seals on the date and year first above written.

Federal Automatic Alarm Co., Inc., by Henry J. Jackson, President.

Attest:

George W. Newblock.

American District Telegraph Company, by W. Carl Simpson.

Attest:

George W. Newblock.

Henry J. Jackson.

[fol. 1873] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 37

This Indenture, made the 15th day of December, 1925, between Mercantile Burglar Alarm Company (hereinafter referred to as the Mercantile Company), having its principal office in the City of New York, State of New York, and Holmes Electric Protective Company (hereinafter referred to as the Holmes Company), likewise having its principal office in the City of New York, New York, both corporations of the State of New York, Witnesseth:

That for and in Consideration of the sum of one hundred thirty-five thousand eighty-one and 94/100 dollars ($135,081.94), lawful money of the United States, paid by the Holmes Company to the Mercantile Company, the receipt whereof is hereby acknowledged, the Mercantile Company hereby sells, conveys and delivers unto the Holmes Company, its successors and assigns:

Two hundred and twenty (220) lines of electric central office burglar alarm installations located on the premises of various subscribers in the Borough of Manhattan, City of New York, south of Reade Street, which were sold and transferred by said Mercantile Company at various dates between March 12, 1924, and the date hereof, the said premises and locations being set forth upon the schedule hereto attached and made part hereof, including station sets, telesemes, switches, wiring and appurtenances, and also related subsidiary ducts, cables and central office equipment and furniture, it being expressly understood and agreed, however, that the Mercantile Company hereby specifically excepts its corporate and local franchises and its contract with The City of New York, dated October 29, 1912, which franchises and contract shall remain the property of, and shall be and hereby are specifically reserved by and to the Mercantile Company; to have and to hold the physical property hereby sold, conveyed and delivered unto said Holmes Company, its successors and assigns, forever.

And the Mercantile Company for itself and its succes-
[fol. 1874] sors, hereby covenants with the Holmes Com-

pany, its successors and assigns, that it, the Mercantile Company, owns and is possessed of a good and unencumbered title to the physical property hereby sold and conveyed, and will make, execute, acknowledge and deliver to the Holmes Company, its successors and assigns, any and all other instruments or conveyances in writing, under seal or otherwise, which the Holmes Company, its successors or assigns, or its or their counsel, may deem necessary, convenient or proper for the transfer of or for assuring the same to the Holmes Company, its successors and assigns.

In Witness Whereof, the Mercantile Burglar Alarm Company has caused these presents to be subscribed in its name and on its behalf by its President and its corporate seal to be hereto affixed and attested by its Secretary and this indenture delivered on the day and year first above written.

Mercantile Burglar Alarm Company, by W. R. Woodbury, President.

Attest:

S. C. Ounsler, Secretary.

* * * * * * *

[fol. 1875] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 38

This Agreement, made the 3rd day of August, 1928, by and between Simon B. Hess, of Jamaica, in the Borough of Queens, City of New York, party of the first part (hereinafter referred to as the Vendor), and the Holmes Electric Protective Company, a corporation of the State of New York, having its principal office at No. 370 Seventh Avenue, in the Borough of Manhattan, City of New York, party of the second part (hereinafter referred to as the Holmes Company), Witnesseth:

Whereas, the Vendor, as an inducement to the Holmes Company to enter into this agreement, represents to the Holmes Company that the Hess Electric Protective Corporation (hereinafter referred to as the Hess Company), having its principal office at No. 253 Seventh Avenue, in

the Borough of Manhattan, City of New York, is a telegraph corporation duly organized and existing under and by virtue of the laws of the State of New York and is possessed of a good and indefeasible title in and to the telegraph lines (other than those leased from the New York Telephone Company) and equipment operated (under contracts with its subscribers, substantially in the form of Exhibits I and II, hereto annexed) by it in the Borough of Manhattan, in the City of New York, and in and to the local burglar alarm apparatus installed and maintained (under contracts with its subscribers, substantially in the form of Exhibits I and II, hereto annexed) by it in the premises of its subscribers throughout the City of New York, and is the holder of a franchise contract, dated January 29, 1925, granted to it by The City of New York, and of revocable privileges, rights, rights of way, easements and consents for the construction, maintenance and operation of said telegraph lines and equipment, all free from all bills, debts, assessments, taxes, judgments, pledges, mortgages, liens or encumbrances or claims or demands in law or in equity, of every kind or nature, other than the obligations and liabilities hereinafter [fol. 1876] expressly otherwise stated; that the net worth of the Hess Company, consisting of the difference between the property and assets, and the obligations and liabilities, of the Hess Company is substantially the same as set forth in the report, dated May 7, 1927, and the statement, dated May 24, 1927, of Andrew Sangster & Company (which have been initialed by the parties hereto for identification), and that the property and assets as shown in said report and statement are substantially the same, with the exception of ordinary wear and tear, removals of equipment due to discontinuance of service, increased, however, by additional equipment due to increased service; that the telegraph burglar alarm contracts of the Hess Company on December 31, 1927, were not and are not at the date of this agreement less than one thousand four hundred forty-eight (1448); that the gross telegraph burglar alarm service receipts (exclusive of installation charges) of the Hess Company for the twelve months ending December 31, 1927, were not less than the sum of two hundred sixty-five thousand dollars ($265,000.) and that its gross local burglar alarm service receipts (exclusive of installation charges) for the like period were

not less than the sum of forty-two thousand dollars ($42,000.); that all the known obligations and liabilities of every kind or character whatsoever (other than capital stock, subsequently accruing liabilities under franchise, unexpired leases and service contracts) of the Hess Company did not, on December 31, 1927, and do not at the date of this agreement exceed the sum of thirty-seven thousand dollars ($37,000.); that the authorized capital stock of said Hess Company consists of seventy thousand (70,000) shares, of which twenty thousand (20,000) are preferred shares with a par value of fifty dollars ($50.) each, and fifty thousand (50,000) are common shares, without par value; that of said capital stock said Hess Company has issued and outstanding twenty-five hundred seventy-three (2573) shares of [fol. 1877] said preferred stock and thirty-six thousand (36,000) shares of said common stock, neither more nor less, and that in addition thereto seventeen thousand four hundred twenty-seven (17,427) shares of its preferred stock and fourteen thousand (14,000) shares of its common stock, heretofore issued, are held in the treasury of the Hess Company as treasury stock; that no action has been taken by said Hess Company authorizing or attempting to authorize any increase in the amount of its said authorized capital stock or any change in the par value, classification or present rights thereof, or any issuance, sale, pledge or mortgage of any shares in addition to those hereinabove stated as now being issued and outstanding; that all of said now issued and outstanding capital stock has been duly and lawfully issued by said Hess Company and is fully paid and nonassessable; that the Vendor is in a position to acquire and is willing to sell, deliver and transfer to the Holmes Company, or its nominee, or procure to be sold, delivered and transferred to the Holmes Company, or its nominee, at the price and upon the terms and conditions hereinafter set forth, all of the issued and outstanding capital stock of said Hess Company; that said Hess Company is the registered holder and owner of all of the issued and outstanding capital stock of the Metropolitan Electric Protective Company (hereinafter referred to as the Metropolitan Company), a corporation duly organized and existing under and by virtue of the laws of the State of New York, having an authorized capital stock consisting of seven

hundred eighty (780) shares of the par value of fifty dollars ($50.) each, all of which shares are now issued and outstanding; that no action has been taken by said Metropolitan Company authorizing or attempting to authorize any increase in the amount of its said authorized capital stock or any change in the par value, classification or present rights thereof, or any issuance, sale, pledge or mortgage of any shares in addition to those hereinabove stated as now being [fol. 1878] issued and outstanding; that all of said now issued and outstanding capital stock of said Metropolitan Company has been duly and lawfully issued by said Company and is fully paid and non-assessable; that the Vendor, said Hess Company, or said Metropolitan Company, are possessed of all letters patent and registered trade marks at any time heretofore issued to said Vendor or his assignee or assignees, and of all right, title or interest therein or thereunder, including, specifically, the following patents, or interests therein or licenses thereunder, viz:

United States Letters Patent	Granted and Issued
901,171	Oct. 13, 1908
1,188,652	June 27, 1916
1,188,653	June 27, 1916
1,188,654	June 27, 1916
1,221,322	Apr. 3, 1917
1,223,789	Apr. 24, 1917
1,229,939	June 12, 1917
1,279,344	Sept. 17, 1918
1,298,710	Apr. 1, 1919
1,298,711	Apr. 1, 1919
1,306,147	June 10, 1919
1,320,857	Nov. 4, 1919
1,324,449	Dec. 9, 1919
1,328,427	Jan. 20, 1920
1,351,422	Aug. 31, 1920
1,351,514	Aug. 31, 1920
15,005	Oct. 21, 1920
1,365,693	Jan. 18, 1921
1,429,243	Sept. 19, 1922

United States Registered Trade Marks	Filed
195,470	Aug. 30, 1923
195,559	Aug. 29, 1923

and

Whereas, the Holmes Company enters into this agreement relying solely upon the truth of the aforesaid representations of the Vendor:

Now, Therefore, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

First: The Vendor hereby agrees to sell and deliver or procure the sale and delivery to the Holmes Electric Company or its nominee, upon a date not later than the first day [fol. 1879] of September, 1928, and at the price of four hundred fifty thousand dollars ($450,000.), subject to adjustments as hereinafter provided, all of the aforesaid issued and outstanding capital stock of said Hess Company, free from all bills, debts, assessments, taxes, judgments, pledges, mortgages, liens or encumbrances or claims or demands, in law or in equity, of any kind or nature, and the Holmes Company hereby agrees upon two days' notice in writing from the Vendor and upon the presentation and lawful delivery to it or its nominee, within said period, of each and every such issued and outstanding shares, to purchase and pay for the same at said price, subject to said adjustment, Provided and Upon Condition that at the time of the presentation and delivery thereof:

(A) The authorized capital stock of said Hess Company is seventy thousand (70,000) shares, of which twenty thousand (20,000) are preferred shares with a par value of fifty dollars ($50.) each, and fifty thousand (50,000) are common shares, without par value, as aforesaid; the issued and outstanding capital stock thereof consists, neither more nor less, of twenty-five hundred seventy-three (2573) shares of such preferred stock and of thirty-six thousand (36,000) shares of said common stock; the said Hess Company holds in its treasury, free from all bills, debts, assessments, taxes, judgments, pledges, mortgages, liens, or encumbrances or claims or demands, in law or in equity, of any kind or nature, seventeen thousand four hundred twenty-seven (17,427) shares of its preferred stock and fourteen thousand (14,000) shares of its common stock heretofore issued; and that all of said issued or outstanding capital stock was duly and law-

fully issued by said Hess Company and is fully paid and non-assessable;

(B) The authorized capital stock of said Metropolitan Company is seven hundred eighty (780) shares of the par value of fifty dollars ($50.) each, as aforesaid; the issued [fol. 1880] and outstanding capital stock thereof consists, neither more nor less, of all such seven hundred eighty (780) shares; and that all of said issued and outstanding capital stock was duly and lawfully issued by said Metropolitan Company and is fully paid and non-assessable, and the Hess Company is the registered holder and owner of all thereof;

(C) The Hess Company is possessed of a good and indefeasible title in and to: the telegraph lines (other than those leased from the New York Telephone Company) and equipment, operated (under contracts with its subscribers substantially in the form of Exhibits I and II, aforesaid) by it in the Borough of Manhattan, in the City of New York; and the local burglar alarm apparatus installed and maintained (under contracts with its subscribers substantially in the form of Exhibits I and II, aforesaid) by it in the premises of its subscribers throughout the City of New York; all of the aforesaid issued and outstanding capital stock of said Metropolitan Company; all of the patents and registered trade marks at any time heretofore issued to said Vendor or his assignee or assignees, and of all right, title or interest therein or thereunder, including, specifically, the patents, or interests therein or licenses thereunder and the trade marks first hereinabove recited, and all of its other property or assets, including materials and supplies, and is possessed of the franchise contract, dated January 29, 1925, granted to it by The City of New York, and of revocable privileges, rights, rights of way, easements and consents for the construction, maintenance and operation of said telegraph lines and equipment, all free from all bills, debts, assessments, taxes, judgments, pledges, mortgages, liens or encumbrances, or claims or demands, in law or in equity, of every kind or nature, except as hereinafter expressly otherwise provided:

(D) The net worth of the Hess Company, consisting of [fol. 1881] the difference between the property and assets, and the obligations and liabilities, of the Hess Company,

is substantially the same as set forth in the report, dated May 7, 1927, and the statement, dated May 24, 1927, of Andrew Sangster & Company (which have been initialed by the parties hereto for identification), and that the property and assets as shown in said report, statement and supplemental report are substantially the same, with the exception of ordinary wear and tear, removals of equipment due to discontinuance of service, increased, however, by additional equipment due to increased service;

(E) That the then in force and effect telegraph burglar alarm contracts of the Hess Company are not substantially less than one thousand four hundred forty-eight (1448), and that substantially all thereof are on and at its aforesaid standard bases and rates, producing a gross annual revenue of not substantially less than two hundred sixty-five thousand dollars ($265,000.);

(F) All the obligations and liabilities of every kind or character whatsoever (other than capital stock, subsequently accruing liabilities under franchise, unexpired leases and service contracts) of the Hess Company do not exceed the sum of approximately thirty-seven thousand dollars ($37,000.); that said Metropolitan Company, and its property and assets, shall be free and clear of all bills, debts, assessments, taxes, judgments, pledges, mortgages, liens or encumbrances or claims or demands in law or in equity, of every kind or nature, other than capital stock; that up to the date of the sale and delivery of said stock of the Hess Company thereunder, the salary or compensation for services (other than current salary or compensation, which shall be adjusted at the date of the sale and delivery of said stock) of all the officers and of the agents, representatives and employees of said Hess Company and of said Metropolitan Company, respectively, have been fully paid, satisfied and discharged; that at the time of the sale, delivery and transfer of the stock of said Hess Company [fol. 1882] hereunder its obligations and liabilities (including obligations to give service under contracts for which it has received prepayments) except subsequently accruing liabilities under franchise, unexpired leases and service contracts, outstanding shall not exceed the aggregate amount (hereinafter referred to as current assets) of cash on hand and in banks, collectible subscribers' accounts and col-

lectible bills and notes receivable of such Company, cash deposits under the leases herein referred to, with accrued interest thereon as provided in any such lease, and the amount of unexpired and prepaid insurance;

(G) No action has been taken by said Hess Company, or by said Metropolitan Company, authorizing or attempting to authorize any increase in the amount of its authorized capital stock or any change in the par value, classification or present rights thereof, or any sale, pledge or mortgage of the aforementioned treasury stock of the Hess Company or any issuance of any shares by either Company in addition to those hereinabove stated as being issued and outstanding at the date of this agreement;

(H) During any time or period subsequent to November 30, 1927, no dividend shall have been declared or paid, nor any distribution of capital or surplus made or attempted to be made by the Hess Company (other than dividend, if any, accruing on its issued and outstanding preferred stock) or by the Metropolitan Company;

(I) During the time or period subsequent to the period covered by the Sangster report, the lines, plant, property and business of the Hess Company and of the Metropolitan Company shall be and have been diligently preserved, maintained and operated at their present standard (but the Vendor shall not be responsible under this subdivision for depreciation due to ordinary wear and tear or for damages due to extraordinary storms, riots, insurrections or acts of war) and neither of said Companies shall have suffered or allowed any impairment in the value of its said lines, [fol. 1883] plant or property or any part thereof, nor shall have sold, assigned, transferred or otherwise disposed of any of its lines, plant, property or business, or mortgaged or otherwise encumbered the same;

(J) The auditors, accountants, agents and representatives of the Holmes Company shall, during the time or period affected by this agreement, and during reasonable business hours, be and have been given access to and free right to inspect and examine into the property, business and affairs of the Hess Company and of the Metropolitan Company, and to inspect and audit the books and accounts and corporate records and minutes of said Companies;

(K) The resignations of the directors and officers of the Hess Company and of the Metropolitan Company shall be and have been duly tendered, subject to acceptance, and are acted upon in such manner, and at such times, and the vacancies arising therefrom are filled by such persons as the Holmes Company may designate;

(L) Neither the Hess Company nor the Metropolitan Company has outstanding any contract or agreement for the employment of any officer, agent or servant not terminable by it on notice of one week or less, and without premium or penalty, nor any lease of real estate or other property other than the leases set forth in Exhibit III hereto annexed and made part hereof.

Second: The Holmes Company (or its nominee) may, at its option, at any time or times prior to the sale and delivery of said stock hereunder, require, accept and rely upon the statement or statements in writing of the Vendor with respect to any condition or state of fact called for or specified in subdivisions "A" to "L" or any or all, or any part thereof, and any such statement or statements shall be deemed to be and shall form part of this agreement, and shall be a continuing covenant and warranty on the part of the Vendor, which shall survive the acceptance of the [fol. 1884] sale and delivery of the stock of the Hess Company hereunder, and the Vendor hereby covenants and agrees to indemnify and save harmless the Holmes Company (or its nominee), its successors and assigns, from and against any and all damages, losses, liability, claims or demands suffered by it or its successors or assigns, from or arising out of the breach or failure of any such condition or conditions or warranty or warranties.

The statements in this agreement made by the Vendor with respect to the obligations or liabilities of the Hess Company and/or the Metropolitan Company are, it is understood, made according to the best knowledge, information and belief of the Vendor, and the Vendor shall be liable as aforesaid to the Holmes Company (or its nominee) for any breach or failure of any condition or warranty with respect thereof without, however, being charged with any misrepresentation in regard thereto.

Third: In the event that the current assets (as hereinbefore defined) of the Hess Company, plus similar assets of the Metropolitan Company, exceed, at the time of the sale and delivery to the Holmes Company of the stock, as aforesaid, of said Hess Company, the aggregate of its obligations and liabilities, as aforesaid, other than subsequently accruing liability on franchise, unexpired leases and service contracts, plus similar obligations and liabilities of the Metropolitan Company, the Holmes Company or its nominee shall pay to the Vendor an additional sum equal to the amount of such difference, or in the event that the aggregate of such obligations and liabilities exceed, at such time, such current assets, the difference shall be deducted from the aforesaid purchase price of four hundred fifty thousand dollars ($450,000.) to be paid to the Vendor. In the event that any subscribers' accounts receivable of said Hess Company, and/or Metropolitan Company, not treated as "current assets" because they are not deemed collectible, are nevertheless collected, or in the event that any other [fol. 1885] claim or demand of the Hess Company and/or the Metropolitan Company not previously considered as current assets hereunder, be collected, the Holmes Company shall pay to the Vendor the amount so collected, less any reasonable cost or expense incurred by the Holmes Company or its nominee; and the Holmes Company shall, on the demand of the Vendor, at any time subsequent to December 31, 1928, cause to be assigned to the Vendor by the Hess Company or the Metropolitan Company, as the case may be, any and all subscribers' accounts receivable not treated as "current assets" as aforesaid. The Holmes Company agrees in the event of a suit brought by the Vendor to recover said assigned accounts to cause the Hess Company or the Metropolitan Company, as the case may be, to produce all necessary records which may be in its possession, on the trial; and the Holmes Company further agrees to apply all moneys received from subscribers under then existing subscribers' contracts, first to the payment of accounts owing at the time of the consummation of this agreement and then to the payment of subsequent annual accounts.

Fourth: As part of the consideration moving hereunder from each party to the other, the Vendor and the Holmes Company, or its nominee, shall enter into an agreement, in the terms of the form hereto annexed and made part hereof, marked "Exhibit IV", covering the employment of the Vendor for the term of three (3) years, commencing on the date of the sale and delivery of the stock of the Hess Company hereunder, which said agreement, if entered into by a nominee of the Holmes Company, shall be assumed by the Holmes Company or another responsible nominee of the Holmes Company, in the event of the neglect or failure of such nominee to carry out the terms and conditions thereof.

Fifth: As part of the consideration moving hereunder from each party to the other, the Vendor and the Holmes [fol. 1886] Company shall enter into an agreement in the terms of the form hereto annexed and made part hereof, marked "Exhibit V", covering the transfer to the Vendor of a thirty-three per cent. (33%) interest in the issued and outstanding, or presently to be issued and outstanding, capital stock of a local burglar alarm company designed to develop local mercantile alarm service in the present territory of the Hess Company, and giving to the Holmes Company, or its nominee, the option to purchase and acquire, upon the terms and conditions therein stated, any or all of such capital stock and any or all of the capital stock of said local burglar alarm company thereafter acquired by the Vendor during the period specified in said "Exhibit V".

Sixth: No waiver of any provision or provisions of this agreement shall be valid or of any force unless made in writing, signed by the parties hereto and specifying with particularity the nature, extent and occasion of such waiver. The waiver, in any instance, of any provision or provisions of this agreement shall not be construed to be a general waiver, but the same shall be strictly limited and restricted to the extent and occasion specified in such signed writing or writings.

Seventh: Anything in this agreement to the contrary contained notwithstanding, the Vendor shall, upon the sale and delivery to the Holmes Company of the stock of the Hess Company hereunder, deposit with the Holmes Company the sum of fifty thousand dollars ($50,000.) as security for the observance of the covenants and the performance of the warranties on his part hereunder; such deposit, together with interest thereon at the rate of six per cent. (6%) per annum, shall be repaid to the Vendor by the Holmes Company not later than six calendar months following the date of such sale and delivery, less the amount of the damages, if any, to that date asserted by the Holmes Company for or on account of any breach of any such covenant or covenants or warranty or warranties then claimed [fols. 1887-1888] by it; provided that, if the parties hereto do not agree as to the validity and amount of any such claim or claims, the Vendor may secure the release of the sum which may be retained by the Holmes Company on account thereof, by filing with the Holmes Company a bond of indemnity, to remain in force and effect until the final disposition of such claim or claims, executed by him as principal and by a responsible New York surety company, acceptable to the Holmes Company, as surety, in the penal sum of twice the amount of such claim or claims, but in no event less than twenty thousand dollars ($20,000.), conditioned upon the faithful observance of the covenants and the faithful performance of the warranties on his part hereunder; provided, further, that the vendor shall be entitled, by counsel to be selected and paid by him, to participate in the defense of any claim, within the contemplation of this paragraph, asserted against the Hess Company.

Eighth: The liability of the Vendor to the Holmes Company or its nominee, or successors or assigns, for or on account of the assessability of any of the heretofore issued stock of the Hess Company or the Metropolitan Company shall, anything hereinbefore to the contrary contained notwithstanding, to be limited to the aggregate amount, if any, required, in invitum, to be actually assessed and collected against the Holmes Company or its nominee at the date of closing.

Ninth: This agreement shall bind and inure to the benefit of the heirs, executors, administrators and assigns and the successors and assigns of the respective parties hereto.

In Witness Whereof, the parties have executed this agreement under seal in duplicate, and have delivered the same on the day and year first above written.

Signed, sealed and delivered in the presence of: Simon B. Hess, (L.S.)

Attest:

H. P. Humphrey, Asst. Secretary.

Holmes Electric Protective Company, By Chas. V. Russell, Vice President.

[fol. 1889] In the United States District Court

Government Exhibit No. 39

This Agreement, made this 14th day of December, 1928, by and between the Silent Electric Protective Corporation, a New York corporation having its principal office at No. 307 West 38th Street, New York City, party of the first part (hereinafter referred to as the Seller), and the Holmes Electric Protective Company, a New York corporation having its principal office at No. 370 Seventh Avenue, New York City, party of the second part (hereinafter referred to as the Purchaser),

Witnesseth:

That for and in consideration of the sum of Eighteen Thousand Dollars ($18,000) paid by the Purchaser to the Seller, the receipt whereof is hereby acknowledged, and the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

First: That the Seller hereby sells, assigns, transfers, grants, conveys and delivers unto the Purchaser, and the Purchaser hereby purchases all of the Seller's assets of every kind and description, including its good will and all other goods and chattels now in the premises No. 307 West 38th Street, No. 320 West 37th Street and No. 315 West 39th Street and elsewhere in the Borough of Manhattan,

City and State of New York, including its wires, fixtures, machines, switchboards, batteries, receivers, transmitters, tools, instruments, equipment, apparatus, appliances, devices, materials, supplies, office furniture and appurtenances, and also all its grants, easements, rights of way, consents, permissions and licenses, and its accounts re- [fol. 1890] ceivable from its subscribers for electric protective service for the current month, *excepting, however,* its contracts with subscribers for electric protective service which are covered by a separate bill of sale and excepting also its corporate and local franchises, leases of real estate, notes, bills, cash on hand and accounts receivable (other than hereinabove mentioned) which are specifically reserved by and to the Seller; to have and to hold the property hereby sold, assigned, transferred, granted, conveyed and delivered unto the Purchaser, its successors and assigns forever.

And the Seller, for itself and its successors, hereby covenants with the Purchaser, its successors and assigns, that it, the Seller, owns and is seized and possessed of a good, valid, legal, indefeasible and unencumbered title in and to the property hereby sold and conveyed, free from all judgments, liens, mortgages, bills, debts, obligations, taxes, assessments or encumbrances, and has full and lawful right to sell, assign, transfer, grant, convey and deliver the same, and that it and its successors will forever warrant and defend the title thereto, and will make, execute, acknowledge and deliver to the Purchaser, its successors and assigns, any and all other instruments or conveyances in writing, under seal or otherwise, which the Purchaser, its successors or assigns, or its or their Counsel may deem necessary, convenient or proper for the transfer of or for assuring to the Purchaser, its successors and assigns, a good, valid, legal, indefeasible and unencumbered title in and to the property hereby sold and conveyed, free from all judgments, liens, mortgages, bills, debts, obligations, taxes, assessments or encumbrances whatsoever.

[fols. 1891-1892] Second: As an inducement to the Purchaser to purchase the property hereinbefore described, and in further consideration of the purchase price hereinbefore specified, the Seller, for itself, successors and assigns, hereby covenants and agrees by and with the Pur-

chaser that the Seller will not engage, directly or indirectly, in the local burglar alarm business and the telegraph burglar alarm business, or either, within the limits of the City of New York, within ten (10) years after the date hereof, and that it, the said Seller, will not aid or assist anyone else to do so and will not have any interest, directly or indirectly, in the businesses aforesaid during said period, and furthermore, that the Seller will cease to engage in business and will wind up its affairs and dissolve within six (6) months from the date hereof.

In Witness Whereof the parties hereto have duly executed this agreement under seal the day and year first above written.

Attest:

Robert R. Ross, Secretary.

Attest:

Wm. J. Farquhar, Secretary.
Silent Electric Protective Corporation, by Peter R. Kuhn, President. Holmes Electric Protective Company, by A. W. Allen, President.

Peter R. Kuhn.

[fol. 1893] In the United States District Court

Government Exhibit No. 40

Purchase Agreement

This Agreement, made this 20th day of May, 1938, by and between American District Telegraph Company, a California corporation, party of the first part, hereinafter referred to as the "Buyer", and Pacific Fire Extinguisher Company, also a California corporation, party of the second part, hereinafter referred to as the "Seller", Witnesseth:

That in consideration of the sum of One (1) Dollar, lawful money of the United States, by each party to the other in hand paid, receipt whereof is hereby acknowledged, and

of the covenants and agreements hereinafter contained, the parties hereto mutually agree as follows:

First: The "Seller" agrees to sell and the "Buyer" hereby agrees to purchase all right, title and interest in and to the "Seller's" signaling protective business which lies in that portion of California south of Bakersfield and south of San Luis Obispo, California, including that property lying south of said Bakersfield-San Luis Obispo line, consisting of all wires, cables, tools, fixtures, machinery, apparatus, appliances, devices, materials, supplies and all plant, equipment and other physical property of whatsoever kind and nature there located, whether in the streets, in central stations, in subscribers' premises, or elsewhere in said southern district of California, together with all of the "Seller's" right, title and interest in, under and to all contracts with subscribers for service in said southern district, accounts, notes, bills receivable and choses in action arising from said business in said district, leases of ducts, conduits, attachments, wires, circuits and cables, rights of way, consents, permissions and licenses from private cor- [fols. 1894-1896] porations, individuals and property owners, franchises, leases, permits and agreements for the use of the streets in said district and for connecting wires with municipal fire and police departments there located and installing apparatus therein, it being understood that obligations under any existing leases on premises occupied by Pacific Fire Extinguisher Company shall be borne by the "Seller". It is the intention of this paragraph that the assets of "Seller" used in and a part of said signaling protective business in said southern district be included in the sale but no property used in or a part of the appliance business of "Seller" or arising as a result of such business, and no property of any kind of the "Seller" owned by "Seller" and located north of said Bakersfield-San Luis Obispo line, or arising out of business north of said line, be included in said sale.

* * * * * * *

[fol. 1897] Thirteenth: The "Seller" shall withdraw from the business of furnishing, installing, maintaining or inspecting protective signaling equipment in the State of Cal-

ifornia, south of Bakersfield, California and south of San Luis Obispo, California, and shall not, subsequently to the sale of the property herein contemplated, again engage in said territory in the business aforespecified. As heretofore stated this paragraph shall in no way affect the right of "Seller" to engage in the appliance business in any part of California, or elsewhere.

Fourteenth: The "Buyer" shall pay to the "Seller" for the aforesaid business, property and assets, on the date of delivery of possession, a sum of money according to the following formula. The purchase price shall be Thirty-five [fol. 1898] Thousand (35,000) Dollars. This purchase price is based upon the sale of recurring annual contract rentals in force or under contract on the date of delivery of possession amounting to Thirteen Thousand (13,000) Dollars. For each One (1) Dollar of recurring annual contract rentals determined to be in force or under contract according to the "Buyer's" proper check and investigation in excess of Thirteen Thousand (13,000) Dollars, the "Buyer" shall pay to the "Seller" (in addition to said purchase price of Thirty-five Thousand (35,000) Dollars) the sum of Two Dollars and Seventy Cents ($2.70). In the event that said recurring annual contract rentals be less than said Thirteen Thousand (13,000) Dollars as developed by the "Buyer's" check and investigation, the gross base purchase price of Thirty-five Thousand (35,000) Dollars shall be reduced in the sum of Two Dollars and Seventy Cents ($2.70) for each One (1) Dollar of such deficiency. The "Seller" hereby agrees that, at the option of the "Buyer", no rental or service charge receivable from any of the "Seller's" subscribers shall be considered as recurring revenue for the purpose hereof unless the "Buyer" shall be satisfied that the subscriber is both contractually liable and able to continue to use and pay for the service, is not in arrears for more than 90 days and has given no oral or written notification of intention to discontinue the service, and if the "Seller" is not satisfied with the decision of the "Buyer" in this respect, the "Buyer" agrees that the "Seller" may cancel and annul this agreement without penalty or obligation.

Fifteenth: The "Buyer" shall deduct from the purchase price, as determined in accordance with Article Fourteenth

hereof, and shall retain a sum of money equal to the total of all collections from subscribers received by the "Seller" prior to the date of delivery of possession for services to be performed subsequent to that date and also a pro rata [fol. 1899-1900] share of any unpaid taxes pertaining to the operation of the business to be purchased.

Sixteenth: The "Buyer" shall reimburse the "Seller" on a pro rata basis for insurance and bond premiums, wire facility rentals and prepaid taxes paid by the "Seller" prior to the date of delivery of possession for the benefit of operations subsequent thereto, unless the "Buyer", at its option, shall elect to permit the "Seller" to obtain and retain refunds for such advance payments.

* * * * * * * *

[fol. 1901] IN THE UNITED STATES DISTRICT COURT

GOVERMENT EXHIBIT No. 41

CCs: Mr. E. Gaston
Mr. A. E. Smith

NEW YORK

November 19, 1951.

Personal
Memorandum for
Mr. J. A. MacDonald,
Vice-President

Lewis System—Sioux City, Iowa

You will recall our purchase, a number of years ago, of certain of the property and business of Mr. Lewis of Sioux City, Iowa, relating to local and central station electric protection services.

Will you please have the papers in connection with that transaction reviewed and let me know whether Mr. Harry Lewis or his organization entered into any undertaking to go and remain out of competition with our efforts in Sioux City or elsewhere. It is my recollection that Mr. Lewis conducted the alarm signaling business through a separate corporation set up for the purpose and I believe that the corporation sold the business to Mr. Lewis as an

individual for approximately the same price that we paid for it and that we, in turn, purchased the specified assets from Mr. Lewis as an individual. These steps were in order that Mr. Lewis would not have to duplicate Federal Income Tax profits as a penalty for having conducted the business through a corporate arrangement. My recollection may be entirely wrong. The principal point is to determine whether or not Mr. Lewis agreed not to return to competition with us in Sioux City.

MT

E. A. Ward, President.

[fol. 1902] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 42

Agreement made as of January 1, 1949, by and between Automatic Fire Protection Company, a corporation duly organized and existing under the laws of the State of Maine (hereinafter called "A.F.P."), American District Telegraph Company, a corporation duly organized and existing under the laws of the State of New Jersey (hereinafter called "A.D.T."), and the A.D.T. Controlled Companies by which this agreement is executed, corporations duly organized and existing under the laws of the states below indicated after their respective names.

Witnesseth:

Whereas, pursuant to various agreements entered into prior to the date hereof between A.F.P. (or a predecessor or predecessors in interest) and A.D.T. and, in the case of certain agreements, an additional party or additional parties, contractual relations exist pursuant to which sprinkler supervisory and valve alarm service and automatic fire alarm service are being furnished by A.D.T. Controlled Companies to subscribers, and sales of equipment and devices for such services are made, in certain localities in the United States; and

Whereas, the term "A.D.T. Controlled Companies" is used herein to mean and include every corporation at least a majority of whose outstanding voting stock (i.e., stock of any class or classes, however designated, at the time

having voting power for the election of a majority of the members of the Board of Directors) shall at the time be owned, directly or indirectly, by A.D.T. and/or by one or more of the A.D.T. Controlled Companies; and

Whereas, A.F.P. has rights, and claims to have additional rights, under said agreements against A.D.T., the A.D.T. Controlled Companies and/or other parties to certain of said agreements, some of such claims being relative to the past conduct of the business pursuant to said agreements, some of such rights and claims being relative to the current and future conduct of the business, and some of such claims and rights being relative to the time and effect of termination of said agreements; and

[fol. 1903] Whereas, A.F.P., A.D.T., and the A.D.T. Controlled Companies mutually desire to adjust the contractual relations between them and to settle all of the differences which have arisen between them with respect thereto, all as herein provided, and all as of January 1, 1949;

Now, Therefore, A.F.P., A.D.T. and the A.D.T. Controlled Companies by which this agreement is executed hereby agree as follows:

I. (a) A.F.P. hereby sells, assigns and transfers to the respective A.D.T. Controlled Companies by which this agreement is executed, as of January 1, 1949, all of the property interests, rights, powers, privileges, interests, claims and demands which A.F.P. now has or may have in the future, in and under each and every one of the aforesaid agreements, or arising pursuant or incidental thereto, or otherwise connected therewith, in or to any property installed in the buildings of, or occupied by, subscribers in connection with the service rendered subscribers in the localities in which the respective A.D.T. Controlled Companies operate.

(b) A.F.P. hereby sells, assigns and transfers to A.D.T., as of January 1, 1949, all of the other rights, powers, privileges, interests, claims and demands which A.F.P. now has or may have in the future, in and under each and every one of the aforesaid agreements, or arising pursuant or incidental thereto, or otherwise connected therewith,

including, without limiting the generality of the foregoing, all rights, powers, privileges, interests, claims and demands against (i) the A.D.T. Controlled Companies, in or to the subscribers' contracts and the rentals payable thereunder, or otherwise, and (ii) other parties to any of said agreements.

(c) A.D.T. and the A.D.T. Controlled Companies by which this agreement is executed hereby acknowledge that they have respectively received and are in possession of the property interests, rights, powers, privileges, interests, claims and demands hereby sold, assigned and transferred, [fol. 1904] which are hereby accepted "as is" and "where is", without any representations or warranties, express, or implied, except as provided in Article X hereof.

II. (a) A.D.T. agrees to pay to A.F.P. and A.F.P. accepts such agreements to pay and the rights hereby created in favor of A.F.P., as full payment for, and satisfaction of, all of the property interests, rights, powers, privileges, interests, claims and demands referred to and described herein, the sum of Thirteen Million Five Hundred Thousand Dollars ($13,500,000), which shall be payable as follows: $382,106.19 at or prior to the execution of this agreement, receipt whereof is hereby acknowledged; $517,893.81 in equal monthly installments of $73,984.83 on the 15th day of each remaining month during the calendar year 1949, and the balance thereof in equal monthly installments of $75,000 payable on the 15th day of January, 1950, and on the 15th day of each calendar month thereafter, until the entire sum of $13,500,000 is fully paid.

(b) A.D.T. reserves the right to prepay, on the 15th day of any month, all or any part of the then unpaid installment payments, providing A.D.T. shall furnish A.F.P. at least thirty (30) days' prior written notice of such intention to prepay all or any part of the then unpaid installment payments, specifying the amount so to be prepaid. In the event any prepayment is for less than the entire unpaid balance of the installment payments herein provided for, the prepayment shall be applied to the latest maturing installments.

III. A.D.T. agrees that, until payment in full of the installment payments herein provided for,

(1) It will furnish to A.F.P. (a) within one hundred twenty days after the close of each fiscal year of A.D.T., a true and correct copy of the consolidated balance sheet of A.D.T. and all A.D.T. Controlled Companies as of the end of such fiscal year, and the consolidated profit and loss and surplus statement of A.D.T. and all A.D.T. Controlled Companies for such fiscal year, duly certified by independent public accountants, (b) within sixty days after the close of its semiannual accounting period in each fiscal year, a consolidated balance sheet of A.D.T. and all A.D.T. Controlled Companies as of the end of such accounting period, and a consolidated profit and loss and surplus statement of A.D.T. and all A.D.T. Controlled Companies for such accounting period, all certified by a Vice [fol. 1905] President or Treasurer or other appropriate officer of A.D.T., and (c) within ten days after written request therefor, additional details of the items appearing on said statements; and

(2) it will duly pay and discharge, and cause the A.D.T. Controlled Companies duly to pay and discharge, all taxes, assessments and governmental charges of any kind, nature and description, including but not limited to all Federal, State and Municipal taxes, upon or against A.D.T. or A.D.T. Controlled Companies, respectively, or their respective properties, when and as such taxes, assessments or charges shall become due and payable, or during such later period as they may be paid without penalty, or, if all or a part of such taxes, assessments or charges shall be contested in good faith by them, promptly after such contest shall have been finally determined adversely.

IV. A.D.T. further agrees that, until payment in full of the installment payments herein provided for, without the prior written consent of A.F.P.,

(1) it will not, and will not permit any A.D.T. Controlled Company to, merge or consolidate into or with, make any loan or advance to, or acquire any evidences

of indebtedness or shares of capital stock of, any corporation which shall at the time directly or indirectly control A.D.T. or be under the common control of another corporation with A.D.T., but this shall not restrict A.D.T. from merging or consolidating into or with any A.D.T. Controlled Company or any A.D.T. Controlled Company merging or consolidating into or with A.D.T. or any other A.D.T. Controlled Company, or restrict A.D.T. or any A.D.T. Controlled Company from making any loan or advance to, or acquiring any evidences of indebtedness or shares of capital stock of any A.D.T. Controlled Company from, any A.D.T. Controlled Company;

(2) it will not, and will not permit any A.D.T. Controlled Company to, assume, guarantee, endorse or otherwise become liable upon the obligation of any other person, firm or corporation except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the normal course of business and except also that nothing in this clause shall prevent A.D.T. from assuming, guaranteeing or otherwise becoming liable upon any obligation of an A.D.T. Controlled Company;

(3) it will not, and will not permit any A.D.T. Controlled Company to, mortgage, pledge or otherwise encumber any of its property or assets now owned or hereafter acquired, but this covenant shall not apply to or prevent (a) deposits or pledges to secure payment of workmen's compensation or unemployment insurance, old age pensions or other social security benefits, (b) deposits or pledges in connection with or to secure the performance of bids, tenders, trade contracts or leases, and public or statutory obligations or surety or appeal bonds, or other deposits or pledges of like general nature in the ordinary course of business, and (c) purchase money liens or [fol. 1906] mortgages on property hereafter acquired and liens or mortgages existing on such property at the time of acquisition thereof, provided that no such lien or mortgage shall be extended to other property of A.D.T. or of any A.D.T. Controlled Company, and extensions, renewals or refundings of any thereof,

provided that no such lien or mortgage shall be extended, renewed or refunded to cover property not theretofore subject thereto;

(4) it will not permit any A.D.T. Controlled Company to incur or have outstanding any indebtedness other than (a) indebtedness to A.D.T. or to any other A.D.T. Controlled Company, (b) indebtedness for dividends declared, (c) deferred credits to income (revenue billed and collected in advance), (d) employees' benefit or pension fund reserves not to exceed $100,000 at any one time; (e) indebtedness secured by purchase money liens or mortgages, or extensions, renewals or refundings thereof, permitted by clause (c) of paragraph (3) of this Article IV, and (f) indebtedness with respect to taxes, insurance, rent, participating companies' shares of revenue collections, salaries, wages and other items incident to operations, maintenance and general expense;

(5) it will not sell or otherwise dispose of any shares of stock of any A.D.T. Controlled Company and will not permit any A.D.T. Controlled Company to sell or otherwise dispose of all or substantially all of its assets as an entirety, except for fair value and unless in either case the consolidated assets (determined in accordance with generally accepted accounting principles and practices, after deducting reserves for doubtful accounts and reserves for depreciation, and after excluding all upward revaluations of assets and also excluding the proceeds, of any such sale or other disposition, made at any time after the date of this agreement or at the time proposed to be made, except to the extent reinvested directly or indirectly in additional business of the character conducted by A.D.T. and the A.D.T. Controlled Companies on January 1, 1949) of A.D.T. and the A.D.T. Controlled Companies, after giving effect to the sale or other disposition, shall at least equal 80% of the consolidated assets (likewise so determined) of A.D.T. and the A.D.T. Controlled Companies on January 1, 1949; and

(6) it will not declare any dividend (other than dividends payable in shares of stock of A.D.T.) on any of its capital stock or authorize any payment directly or

indirectly for or on account of the purchase, redemption or other acquisition of any of its capital stock or authorize any distribution on any shares of such stock unless such dividend is declared to be payable or such payment or distribution is authorized to be made on a date or dates not more than sixty days after the date of the declaration or authorization, as the case may be, nor unless at the date of such declaration or authorization, and after giving effect to the proposed dividend, payment or distribution, the consolidated current assets (which term shall include inventories of materials and supplies, and shall otherwise be determined in accordance with generally accepted accounting principles and practices) of A.D.T. [fol. 1907] and all A.D.T. Controlled Companies shall at least equal their consolidated current liabilities (which term shall exclude deferred credits to income (revenue billed and collected in advance), and shall otherwise be determined in accordance with generally accepted accounting principles and practices).

V. Upon the occurence of any one of the following specified events of default, namely:

(a) A.D.T. shall default in the payment in full of any of the installment payments herein provided for as the same become due and payable;

(b) A.D.T. shall default in the performance of any of its agreements contained in Article IV hereof;

(c) A.D.T. shall default in the performance of any other of its agreements hereunder and such default shall continue unremedied to the satisfaction of A.F.P. for sixty days after written notice thereof shall have been given to A.D.T. by A.F.P.;

(d) A.D.T. shall be duly dissolved or liquidated in whole or in substantial part in accordance with applicable law;

(e) A.D.T. shall be unable to pay its debts as they mature, or shall admit in writing such inability, or shall make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property or assets, or shall voluntarily file a petition in bankruptcy or for reorganization

or to effect a plan or other arrangement with creditors, or shall file an answer to a creditor's petition or other petition filed against it (admitting the material allegations thereof) for an adjudication or for reorganization or to effect a plan or other arrangement with creditors, or shall apply for the appointment of a receiver or trustee of any of its property or assets, or shall consent to the appointment of a receiver or trustee of any substantial amount of its property or assets;

(f) a court of competent jurisdiction shall enter an order, judgment or decree adjudicating A.D.T. a bankrupt, or appointing (without the consent of or an application by A.D.T.) a receiver or trustee of any substantial amount of its property or assets, or approving a creditor's petition or other petition filed against it for reorganization or to effect a plan or other arrangement with creditors, or assuming control or custody of A.D.T. or of any substantial amount of its property or assets, or shall issue a writ or warrant of attachment or execution or other similar process against any substantial amount of the property or assets of A.D.T., and any such order, judgment, decree or process shall not be vacated or set aside or stayed or released or bonded, within sixty days from the date of the entry or issue thereof; or

[fol. 1908] (g) any event of default of the character referred to in clauses (e) or (f) of this Article V shall occur with respect to any A.D.T. Controlled Company or Companies having assets in such amount that the consolidated assets (determined in accordance with generally accepted accounting principles and practices, after deducting reserves for doubtful accounts and reserves for depreciation, and after excluding all upward revaluations of assets and also excluding the proceeds of any sale or other disposition which would be excluded under the provisions of paragraph (5) of Article IV hereof if a sale or other disposition were at the time being made) of A.D.T. and all other A.D.T. Controlled Companies not involved in such event shall be less than 80% of the consolidated assets (likewise so determined) of A.D.T.

and the A.D.T. Controlled Companies on January 1, 1949;

then or at any time after any event of default above specified, A.F.P. may, unless such event of default shall have been remedied to the satisfaction of A.F.P., by written notice given to A.D.T. declare all installment payments provided for herein and then unpaid, forthwith due and payable, whereupon all such unpaid installment payments shall become and be forthwith due and payable, without presentment, demand, notice of protest of any kind, all of which is hereby waived by A.D.T., and shall from the date on which so declared due and payable bear interest at the rate of 6% per annum until paid.

For the purposes of clauses (b) and (c) above, the nonperformance by any A.D.T. Controlled Company of any act which A.D.T. herein agrees to cause the A.D.T. Controlled Companies to perform, and the performance by any A.D.T. Controlled Company of any act which A.D.T. herein agrees not to permit any A.D.T. Controlled Company to perform, shall be conclusively deemed defaults on the part of A.D.T. in the performance of agreements contained herein.

VI. Any event of default may be waived by A.F.P., by a writing, signed by an officer duly authorized to execute such waiver, and in any such case, the parties shall be restored to their former position and rights as defined hereunder, as if no such default had occurred, but no such waiver shall extend to any subsequent default, or impair any of the rights of A.F.P. hereunder.

VII. Any notice, request, consent or other communication [fol. 1909] which, by any provision of this agreement is required or permitted to be given or made hereunder, shall be deemed to have been sufficiently given or made for all purposes, when sent by registered mail, postage prepaid, or delivered personally at the respective addresses below provided:

American District Telegraph Company
155 Sixth Avenue
New York, New York

Automatic Fire Protection Company
c/o C. Perry King
68 William Street
New York, New York

and also

Automatic Fire Protection Company
c/o Herman Goldman
120 Broadway
New York, New York

or at such further address as the parties may designate in writing and deliver to the other party.

VIII. This agreement shall inure to the benefit of A.F.P., and successive successors and assigns, who shall have rights and obligations hereunder with the same force and effect and to the same extent as if originally parties hereto.

IX. A.D.T. and the A.D.T. Controlled Companies hereby release and discharge A.F.P. from any and all claims they may now or at any time in the future have against A.F.P., arising under any of the agreements mentioned and described herein, and relating to the business conducted thereunder, from the respective dates of the agreements to the date of execution and delivery hereof; and A.D.T. agrees to indemnify and hold A.F.P. harmless against any and all claims by subscribers for damages or offsets arising from the operation or the maintenance of the service to such subscribers, whether accrued prior to the date of execution and delivery thereof or subsequently accruing.

X. A.F.P. represents and warrants to A.D.T. and to the A.D.T. Controlled Companies that no right, title or in- [fol. 1910] terest exists in any person or corporation other than itself in or to any of the property interests, rights, powers, privileges, interests, claims and demands hereby sold, assigned and transferred, and hereby agrees to indemnify and save A.D.T. and the A.D.T. Controlled Companies harmless against any claims or demands of other persons or corporations with respect to any such property interests, rights, powers, privileges, interests, claims and

demands, and to defend, at its own cost and expense, any action, suit or proceeding that may be instituted by any persons or corporations who may assert any such claim or demand, provided, however, that A.D.T. shall give to A.F.P. prompt notice of the assertion of any such claim or demand against it or any A.D.T. Controlled Company and shall promptly deliver to A.F.P. all process and pleadings that may be served upon them or any of them; and provided, further, that the foregoing provisions of this article X have no application to any property interest, right, power, privilege, interest, claim or demand of, or any action, suit or proceeding instituted by, any party, other than Fire Protection Development Company, to any of the agreements referred to in the first preamble and predicted thereon.

A.F.P. hereby further agrees to execute and deliver any and all such further instruments as may be reasonably requested by A.D.T. to confirm the assignments and transfers hereby made.

XI. No modification of this agreement shall be valid unless made in writing and signed by each of the parties.

XII. The parties hereto have contracted with reference to the laws of the State of New York, and it is their intention that their respective rights, duties and obligations hereunder shall be measured by the said laws, it being agreed that this contract and all questions arising out of or in connection with it, including, without limitation, its validity, construction, interpretation, performance, remedies and measure of damages, in the event of its breach, shall be governed by and be determined in accordance with the laws of the State of New York.

[fol. 1911] In Witness Whereof, the parties hereto have severally caused this agreement to be signed by their respective authorized officers this 24th day of May, 1949.

Automatic Fire Protection Company, By (Sgd.) William R. McElroy, Vice President.

[Seal.]

Attest:

(Sgd.) A. M. Crooker, Secretary.

American District Telegraph Company, By (Sgd.) E. A. Ward, President.

[Seal.]

Attest:

(Sgd.) J. A. MacDonald, Secretary.

The American District Telegraph Company, (Alabama; American District Telegraph Company (Los Angeles) (California); American District Telegraph Company of San Francisco (California); The American District Telegraph Company (Colorada); American District Telegraph Company (Connecticut); American District Telegraph Company (Florida); American District Telegraph Company (Georgia); American District Telegraph Company (Illinois); American District Telegraph Company, Inc. (Indiana); American District Telegraph Company of Iowa (Iowa); The American District Telegraph Company of Topeka, Kansas, (Kansas); A.D.T. Company (Kentucky); Ameri- [fol. 1912] can District Telegraph Company, (Louisiana); The American District Telegraph Company of Baltimore City (Maryland); American District Telegraph Company (Michigan); American District Telegraph Company (Minneapolis) (Minnesota); The American District Telegraph Company of Minnesota (Minnesota); American District Telegraph Company of Missouri (Missouri); The American District Telegraph Company (Nebraska); A.D.T. Company (New Jersey); A.D.T. Company, Inc. (New York); A.D.T. Company (North Carolina); The American District Telegraph Company of Cleveland Co. (Ohio); The American District Telegraph Co. of Columbus, Ohio (Ohio); The American District Telegraph Company (Dayton) (Ohio); The American District Telegraph Company of Ohio Company (Ohio); American District Telegraph Company of Cincinnati, Ohio (Ohio); American District Telegraph Co. of Toledo, Ohio (Ohio); The American District Telegraph Company of Oklahoma (Okla-

homa); American District Telegraph Company (Oregon); The American District Telegraph Company of Pennsylvania (Pennsylvania); American District Telegraph Company (South Carolina); American District Telegraph Company of Dakota (South Dakota); American District Telegraph Company (Memphis) (Tennessee); American District Telegraph Company (Tennessee); American District Telegraph Company of Texas (Texas); American District Telegraph Company (Utah); A.D.T. Corporation (Virginia); American District Telegraph Company of Washington (Washington); Seattle American District Telegraph Company (Washington); American District Telegraph Company (Washington, D.C.) (West Virginia); Ameri-
[fols. 1913-1916] can District Telegraph Company of Milwaukee (Wisconsin); American District Telegraph Company of Wisconsin (Wisconsin). By (Sgd.) J. A. MacDonald, Secretary of each of said companies. American District Telegraph Company (Maine); American District Telegraph Company (Massachusetts). By (Sgd.) J. A. MacDonald, Asst. Clerk of each of said companies.

[fol. 1917] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 43

Mr. McDonald, copy for your file—original to Mr. Gaston.
AES 2/10

February 10, 1960.

Memorandum Of Meeting With Sid Stackler And His Brother Ed Stackler With Ed's Son "Bud" Who Also Was Present

Meeting held at the request of Sid Stackler in Ed Stackler's law office at 11 South LaSalle Street, Chicago, at 10:00 A.M., on February 3, 1960.

Sid Stackler advised that since our last meeting some four months ago, that he and his two brothers and four sisters (seven in the family) had two family meetings on the subject of Central Watch Service Property in Chicago.

He said that they had agreed that they would dispose of the signaling business only, and keep the operation of their guard or watch service and their janitor service. He said they had done this because of my position that we would not discuss nor consider anything but the signal operation.

Ed Stackler said he had recently attended the independent central station companies' meeting at Monterey, Calif. He assured me that no mention or even suggestion had been made by any of those present that would indicate any knowledge of our present discussion with the Stacklers. He did say that McDowell, when he had reached the usual talking stage, had mentioned that ADT had tried four or five times to purchase his company, but that we didn't offer enough money. He indicated that he had a million dollars in revenue, and we would give him only Four and One-Half Million Dollars, all of which I said was not even worth talking about, since his first statement that we had discussed anything with him was untrue. Ed Stackler did mention that some big organization which he thought was Minneapolis-Honeywell were interested in getting into Central Station business, but he was not too clear in his discussion of this subject. He also said that he heard no reference to, nor was there any discussion in their meetings concerning the present investigation by the FBI.

Sid Stackler said they felt that each of the seven brothers and sisters should get $500,000 out of the signaling company which would be a total of $3,500,000. This, he said, was their asking price. Their thinking was that this amount [fol. 1918] of money invested in top quality stock such as AT&T would give them a yield of 3% or $105,000 per year to be split seven ways at the rate of $15,000 to each.

The plan he proposes is to incorporate the signaling operation, and then exchange all the stock in it for either ADT, Grinnell or high-grade stocks such as AT&T. I told him that there was no chance of any exchange of ADT common stock. Apparently, his tax consultant recommended this type of transaction in order to avoid a capital gains tax and other taxes until such time as they actually dispose of the stock.

It is my impression that they would very much like to get ADT stock, even if it were preferred and issued as debt financing, rather than common stock as an equity, th

rate on it to be sufficient to give them a gross of $105,000 per year.

Some discussion was also had on the possibility of Central Watch Service entering into a contract with ADT to operate and sell their services in a similar manner as our AFA contract on which they seem informed. They did say that in an arrangement of this sort they would want some protection on their principal after a period of ten or twenty years, but did not indicate the amount they felt should be paid in the event the contract was not renegotiated at the expiration of the primary term.

It is evident that they are genuinely interested in disposing of their signal operation and are willing to give us all the information we desire in order to make them a counter offer. Ed Stackler, the lawyer, does not believe that there would be too much difficulty in convincing the Department of Justice that our operation of their service would be inimical to the best interests of the public, since there is another Central Station company, the Kedzie Protective Patrol in Chicago. He said also that several telephone answering services were operating a modified form of Central Station service. Their interest has been kept alive for over two years, and I suspect that unless we are willing to negotiate on a firm proposition, they will look elsewhere for a buyer. I suspect they would not have too much difficulty in interesting some company like Minneapolis-Honeywell who are diversifying their interests and who may have treasury stock to put into such a venture. They also mentioned that George Smith had some thought of expanding, but was principally interested now in radio [fols. 1919-1921] transmission.

I am attaching Exhibit "A" which Sid Stackler gave me some time ago, and which shows their operations at the end of the fiscal year, January 31, 1959. He advised me that their books for 1960 had been closed on January 31, and a similar or detailed statement, as we might require, would be available at the end of February or early in March. I am also attaching Exhibit "B" which gives certain detail of the signal operations as given verbally to me by Sid Stackler. This Exhibit "B" is only for the month of December, 1959, and according to Sid Stackler indicates an annual recurring revenue of approximately $950,000.

It is my opinion that their rates are from 25% to 35% below ours, and that their present recurring revenue could be quickly increased to over a million. Sid Stackler remarked that they had only increased their present subscriber revenues on renewals by some $6300 in the year 1959, which indicates an opportunity to increase business on renewals.

At a Board Meeting about three months ago, we briefly discussed this subject, and Roger Clapp remarked he saw no reason why we should not proceed with the negotiation and present it to the Department of Justice if necessary. I believe that in a reasonable time I will have to tell them whether or not we are willing to negotiate on a firm basis.

A.E.S., Vice President, [A. E. Smith] Stipulation No. 1.

GC

[fol. 1922] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 44

NEW YORK

April 14, 1960.
Tulsa, Oklahoma.

Sales Representative Ed Carrier, of Oklahoma City, told me that he visited last week with Mr. Ira D. Warlick, owner of Reliance Protective Company, Inc., of Tulsa.

Mr. Warlick advised that he has decided not to sell his business at this time. He has four teen-age sons who may, upon their maturity, want to continue the business. He assured Mr. Carrier that should he decide to sell in the future, we would be given the first opportunity to buy his business.

I have requested Mr. Carrier to keep in touch with Mr. Warlick and advise us immediately should he change his mind.

Lyle B. Straus, Assistant to General Sales Manager.

aem

[fol. 1923] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 45

April 7, 1960.

Mr. E. Gaston
President

The attached memorandum lists all of the present independent companies in local and central station business in which we are presently interested. I would recommend that we secure approval for negotiating for the purchase of these companies. There does not appear to me to be any reduction in competition in any of the cases cited in this memorandum.

A. E. Smith, Vice President.

GC

cc: Mr. J. A. MacDonald, Mr. L. J. O'Brien.

[fol. 1924] Beasley Alarm System, Amarillo, Texas

Mr. Wiley B. Beasley is the owner. Operations are conducted in Amarillo and at Lubbock, Texas. The Amarillo operation reportedly started in 1926, and now consists of approximately 400 accounts of which the majority are central station burglar alarms. There are also a few fire alarms, supplemented by a small local patrol business. Beasley also operates Radio Station KKD on 286 mc. His business revenue is not known. He owns real estate in Amarillo in which his office is located. He reported to Dun & Bradstreet that his monthly charges range from $10 to $50 on his present accounts.

The Lubbock operation is smaller than Amarillo, but is also a central station with approximately 175 installations with an estimated $85,000 a year annual recurring income. There is some patrol service in Lubbock, and also a radio station.

Beasley has, for a number of years, been in contact with us, and on March 2, 1960, wrote our District Sales Manager J. D. Patton stating that he had decided to retire from the protection business in Amarillo and Lubbock and was offering his business for the first time at a fair and reasonable price. The price was not stated. He asked that the

transaction be treated confidentially. We have merely acknowledged his letter and plan to look into what he has to offer at a later date. The reason Beasley is interested in selling his business is apparently poor health and some diabetes complication.

Reliance Protection, Inc., Tulsa, Oklahoma

This is a central station organization principally owned by Mr. Ira E. Warlick who is also listed as President and Manager. It is an Oklahoma corporation chartered in 1931. He is presently engaged in central station operation and has approximately 200 burglar alarm systems and 20 fire alarm systems in service. He presently uses Underwriters' approved equipment which he purchases from various sources. We visited Mr. Warlick on several occasions in the past, the last time in 1956, at which he had no intention of disposing of his business. The present interest is occasioned by his contacting our Mr. Carrier from Oklahoma City and telling him that he had been interested in talking to us about the possible purchase of his business. He told Mr. Carrier that he would be in Oklahoma City in the next two or three weeks and wanted to talk further about it. Our instructions to Mr. Carrier are simply to listen to what he has to say and report to us.
[fol. 1925] Tulsa is a very promising central station city, and I feel we should open an office provided we can purchase Reliance Proteective, Inc. We do have two direct-connected service jobs in Tulsa, and the Smith Detective Agency also has one. The police and fire departments, and also the Underwriters, have suggested several times that we should take over Tulsa operations if at all possible.

Valley Burglar Alarm Company, Fresno, California

Paul Worseley is listed as sole owner. Present owner took over this company from a Mr. Tindell who started it in 1938. The company is engaged in local burglar alarm service only and has about 100 installations directly connected to the police department. No direct contacts have been made with Mr. Worseley on the subject of the purchase of his business, but he has indicated in several talks with our local people that he might be interested in a working arrangement with ADT. He has presently about 600 burglar

alarm systems on a rental basis. In view of our present operations in Fresno on a local and direct-connected basis, it would seem good business to consider the purchase of the Valley Burglar Alarm Company. I have been asked to meet Mr. Worseley at some convenient time when I am on the West Coast.

Hygrade Alarm Company, Puerto Rico

Luis Mario Martinez is listed as sole owner. He does not care to incorporate the company, but is doing business in several towns on the island of Puerto Rico. Martinez is a native and has developed the company in the last 12 years solely by his own initiative.

He claims a monthly recurring service charge of $2000 on 220 installations. About 100 of the installations are connected directly to the police department.

It is strictly a local company, and details of their operations have been covered in my report of March 20.

[fol. 1926] Tampa Signal Company, Tampa, Florida

This is an incorporated company under Florida laws and is engaged in central station fire alarm and burglary service operations and, also, in the local burglar alarm business. Details of this company and its operations are covered in my report of March 22 on the subject of Tampa Signal Company, Inc.

We are engaged in direct connected and local fire and burglary service in Tampa, but our revenues are being jeopardized by the efforts of this company to sell our subscribers central station service. There are no other companies of any consequence operating in this area.

Interstate Fire and Burglar Alarm Company, Shreveport, Louisiana

Our information, based on a letter of March 9, 1960, indicates that Mr. J. C. Williams is owner of this company, and in this letter he solicited our interest in buying his business. He advised that he was 70 years of age which may be the compelling reason for his wishing to sell.

Apparently, his equipment is purchased from independent suppliers. He has 200 local burglar alarms and 25 direct-

connected burgular alarms, with a total annual revenue of $35,712.

Our Mr. Patton and Mr. Straus talked with Mr. Williams and found that he had a 51% interest in the business and a Mr. Gordon Cook had the remaining 49% interest. Mr. Williams handles all sales, public relations and finance, while Mr. Cook is in charge of construction and maintenance. They claimed outside interests were keeping them from giving the burgular alarm business their proper attention. They apparently are the only alarm company doing business in Shreveport and have confined their service to burglar alarm only. They felt that Shreveport is a growing city and in time could develop sufficient potential to warrant a central station.

[fol. 1927] Charlotte, North Carolina

ADT currently has a revenue of $73,355.85 from burglary and fire alarm service in this city and immediate vicinity. All of the business within the city is direct connected. The principal competition is from the Gamewell auxiliary systems which presently have the approval of the city fire department. Gamewell is reported to have some 90 such connections at the present time.

The City Manager has objected to our having the 39 direct connections in the police department and 33 connections in the fire department and feels, therefore, that we should pay a franchise tax. The City Manager stated that he was desirous of relieving the city of the responsibilities attendant to serving us and recommended that we start our own central station.

Pacific Auxiliary Fire Alarm Company, San Francisco, California

This is a California corporation originally chartered in 1889. It is now controlled by Arch Monson, Jr., who is listed as President and who also owns the Monson Electric Company. He is also local representative of the Auto Call Co. of Shelby, Ohio. Mr. Monson acquired his interest in this corporation early in 1959.

The business is purely an auxiliary fire alarm system of the manual type, using manual auxiliary boxes or special

models of the San Francisco fire department boxes connected to master street boxes to transmit their signals to the fire department.

We have developed considerable information on this company in the past several years, and the latest information dated January 20, 1960, indicates they have 1250 auxiliary boxes installed with rentals averaging from $1.75 to $5.00 monthly. It has been reported that the gross annual revenue was $20,000 a year. The number of customers or master boxes operated is 188.

This company operates under a franchise in the city of San Francisco and has manual service in a number of ADT installations. The company is qualified to operate through its auxiliary boxes a waterflow or manual fire alarm system, and there have been several attempts to take jobs away from ADT on this basis. From recent information given to him, Mr. Francis feels that this company would be agreeable to disposing of its interests if the price is in line.

[fol. 1928] In my opinion, this would be a good company to acquire in order to discontinue the auxiliary features or at least control such connections. There is, of course, a competing company, the Pacific Fire Extinguisher Co. which sells all types of fire alarm equipment and has a central station where they operate both fire and burglar alarm systems.

[fol. 1929] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 46

March 22, 1960.

Report on Tampa Signal Co. Inc.—(Florida Corporation)

This memorandum to record discussions with P. R. Spencer, General Manager of subject company at Clearwater and Tampa on February 26-29, and March 2 and 3, 1960.

1. Meeting with Spencer at office of his lawyer, L. M. Phillips, disclosed that former Tampa Signal Co. was now Incorporated as Tampa Signal Company, Inc.—a Florida Corporation. The stock of the Company is owned one-third by Spencer, and two-thirds

by Paul T. Dumm and his family. The family only has a few shares. Spencer is General Manager, and in complete control of operations by virtue of a contract with Dumm, whereby Spencer furnished finances, and set up central station operations in Room 32 of W. U. building. Spencer has loaned the company $53,000.00 on demand notes with interest. He says he has a management contract paying him 5% of the annual gross receipts. He has control of company books, and active in furthering the business since establishing the central station.

2. The central station is located in a room about 25'W x 40'L in Class "A" building in center of Tampa, and only a few blocks from main telephone exchange of General Telephone Co.—(Peninsular). The office is divided into operating section, 25'W x 26'L, with glass partition separating it from formal section of Administration Office—25'W x 12'L. Spencer says central station is approved by U.L., and was recently inspected by N.B.F.U. representative Pye from Atlanta SEUA. Equipment consists of three section (48 drop each) Potter B. A. Panel—62 panels equipped with operating drops, plus 8 spares. McCulloh panel is typical Potter section, with 6 circuits and 6 new electric type Potter double pen registers. Registers use ball point feeders for printing on oiled tape—points travel outward horizontal to tape flow line. Latest development in all automatic electric ink type or pen registers—claims approved by U.L. Four of McCulloh circuits are now operated as C.B.A., with thirty-two jobs on them—twenty B.A. jobs are in St. Petersburg on long line—operating on 10 mils. One McCulloh circuit has four F.A. jobs—SS&WF—and one circuit is spare.
[fol. 1930] Battery room with Flotrol and 120V battery behind BA panel—separated by wooden partition. Security on entrance door with electric lock. Windows in rear—3rd floor—foiled—all equipment new.
3. Rental for office $150.00 per month, including fluorescent lights. Space to expand into another office, if necessary. Plant shop is at Dumm family home

in small building that they have previously used as headquarters.

4. Income—3-3-60, per Spencer figures:

62 DX BA jobs		
32 C.B.A. jobs		
94 jobs	A.S.C.	$29,086.00
165 L.B.A. jobs	A.S.C.	$23,400.00
4 F.A.—SS&WF	A.S.C.	$ 1,200.00
	Total	$53,686.00

This revenue is 2.5 times revenue they reported to us in June 1957.

Spencer says that when he took over he immediately began increasing all rates and set a minimum for C.S. B.A. of $25.00 per month. Major portion of their jobs to date are conversions from locals to central station. Claims to be just breaking even with present revenue.

5. Service Area

Central Station Service is greater Tampa, and St. Petersburg, with application in for long line to Clearwater. Latter two towns are approximately 28 wire miles from Tampa central station. He operates SS&WF on single circuit as his W.F. and supervisory are shunt type, and using Potter integrated devices which obviates the necessity of local battery. Claims Board of Fire Underwriters approves. Wire rentals estimated $48.00 per mile.

Local B.A. service is in same area, and practically all jobs within 25 mile radius of Tampa.

[fol. 1931] Has F. D. Register and direct line phone for retransmission to Tampa Fire Department. Also, direct line phone to P.D. of Tampa.

In St. Petersburg is operating only C.B.A., and uses controlled dial phone to P.D. Has St. Petersburg listing for his Tampa office, so he can dial his subscribers directly and they can call him without

going through operator. He plans same arrangement for Clearwater.

6. Estimated business in the Tampa-St. Petersburg-Clearwater Area

The potential business has been covered in previous surveys. Tampa and this area is now second city in Florida, and is reportedly going ahead in industrial development. Presently exceeds Miami industrially.

Present A.D.T. revenue in this area as listed 1-1-60, is A.S.C. of $32,167.00, all of which could be converted to central station service, and rates increased to take care of wire costs. All jobs now D.C. to either Fire or Police Departments.

Present Tampa Signal Co. Revenue	—	$53,683.00
" A.D.T. "	—	$32,167.00
Total		$85,853.00

My estimate is that revenue would be doubled in three years, and tripled, or approximately $250,000.00 in five years if we purchased Tampa Signal Company. The central station is already established, and we have both Plant and Sales people available to actively promote the business.

Spencer indicated that he thought that the business was worth $200,000 because of the potential, as well as present revenue. I reminded him that he only got about two and a half dollars for one dollar at Montreal. Discussion on price was limited to these remarks.

[fol. 1932] Spencer is actively soliciting every available job for central station service, including what we have at present. We will lose a major share of our business as his rates, and what he has to offer, is much more than D.C. service. He is presently after banks in Tampa, and also St. Petersburg and Clearwater. We presently have a number of the best subscribers, especially National Accounts, but even Sears are willing to consider Central Station unless we can offer it, as are others in the area.

Personnel

Spencer presently operating with——

Lane as Superintendent of Plant	—		$117.00 per week
1 girl—Joint Operator and Bookkeeper—days	—		65.00 " "
3 women operators—days and middle shift	—		43.00 ea. per week
2 men operators and guards—night	—		60.00 " " "
2 Inspectors—also used as operators	—		70.00 " " "
3 Installers—	—	Av.	75.00 " " "

Any deal with Dumm would have to be worked out by Spencer. The only man that we would have to take over, at least for a time, is Lane who is a son-in-law of Dumm. The other men are reportedly good workers, as is one girl, and probably could be used.

Recommendation

Recommend offer to Spencer at $2.50 dollars for $1.00 of revenue, although doubt deal can be consummated for less than $3.00 per $1.00 of revenue. I believe we could increase Tampa Signal Revenue by 20% at once. Attached is list of present ADT subscribers.

Spencer says now is opportune time to approach Dumm.

A. E. Smtih, Vice President.

[fol. 1933]

Tampa and Vicinity
ANSC in FORCE 1-1-60

Subscribers Name	Location	Service	ANSC
Brinks' Inc.	Tampa	DC BA	$ 463.00
Exchange National Bank	"	DC BA	1,446.00
General Electric Lamp Div.	"	DC WF	435.00
" " " "	"	DC BA	525.00
General Electric Appliance	"	DC BA	865.00
" " "	"	DC WF	614.00
General Mills	"	DC SSWF	985.00
Jacksonville Paper Co.	"	DC WF	565.00
Key Liquors of Tampa	"	DC BA	588.00
" " "	"	DC WF	384.00
M & M Tobacco Co.	"	DC WF	375.00
Maas Brothers	"	DC BA	384.00
Marine Bank & Trust Company	"	BEPA	113.00
McKesson & Robbins	"	DC BA	1,029.60
" "	"	DC WF	735.40

[fol. 1934]

Subscribers Name	Location	Service	ANSC
McKesson & Robbins	Tampa	DC BA	770.00
" "	"	DC WF	483.00
Montgomery Ward	"	DC BA	732.00
" "	"	DC SSWF	963.00
National Linen Service	"	DC WF	525.00
Sears Roebucks	"	DC BA	962.00
" "	"	DC WF	559.00
" "	"	DC IP	74.00
Tampa Crown Distribution	"	DC WF	420.00
Color Corporation of America	"	DC BA	494.00
Graybar Electric Company	"	DC WF	587.00
J.M. Tull Metal & Supply Co.	"	DC BA	738.00
" " " "	"	DC WF	707.00
Continental Optical Co.	Clearwater	DC BA	708.00
" " "	"	DC WF	516.00
American Can Company	Tampa	DC WR	638.00
" " "	"	DC SSWF	3,926.50

[fol. 1935]

Subscribers Name	Location	Service	ANSC
American Can	Dade City	DC BA	548.40
" "	"	DC SSWF	717.10
Minneapolis Honeywell	Pinellas Park	DC WR	696.90
		DC WS	413.40
		DC Misc	846.70
		DC SSWF	1,243.00
Crest Leather Mfg. Co.	St. Petersburg	DC WF	550.00
Int'l Resistance Co.	"	DC WF	540.00
Sears Roebuck	"	DC WF	450.00
St. Petersburg Times	"	DC WF	540.00
Montgomery Ward	"	DC SSWF	952.00
		DC BA	760.00
Treasure Island Art Gallery	Treasure Island	DC BA	600.00
Total		29	$32,167.00

[fol. 1936] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 47

August 31, 1960.

Mr. J. A. MacDonald
First Vice President

Tampa Signal Company, Inc.

Attached is copy of my letter to Mr. P. R. Spencer recording the subject of our recent telephone conversation regarding the Tampa Signal Company.

Spencer said he had taken over all the ownership of the Tampa Signal Company, and that he was now the sole proprietor. This is confirmed by a recent Dun & Bradstreet report of July 19, 1960. He still desires to keep out of active participation in this business and wants to know if we are interested in purchasing it. He does not quote any price, but I suspect, as you do, that he will be asking the same ratio as we paid in Montreal.

He said that he planned to hire new management and a sales force for the purpose of actively going after business if he had to stay in it, but maybe we could get together on a deal.

Tampa Signal Company has approximately $55,000 in annual revenue and an approved and going central station. We have approximately $35,000 in local and direct-connected business in the area and are finding it most difficult now to sell this kind of service in competition with central station.

Tampa, Florida, is as I advised you the second city in Florida and is rapidly developing and should be an excellent central station town within the next five years. If you can secure Mr. Fritz' permission to negotiate, it is possible that we might work out a sale agreement with Spencer or some mutually beneficial arrangement for merging our business with his, and we taking over the management.

GC

Vice President [A. E. Smith], Stipulation No. 1.

[fol. 1937] P.S.Tampa Signal Company is located in the Western Union Building in Tampa, Florida, Phone No. Tampa 2-2708.

P. R. Spencer's home address is 2310 Nursery Road, Clearwater, Florida, Phone No. Clearwater 3-99671.

A.E.S. [A. E. Smith], Stipulation No. 1.

[fol. 1938] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 48

ATLANTA, GEORGIA

March 20, 1961.

Mr. L. J. O'Brien
General Sales Manager
New York, N. Y.

Attn: Mr. Ray Brechbill, Ass't. to General Sales Manager

Re: Tampa, Florida

Attached is the original list which you sent. It was complete, except for a DCBA with Boeing Aircraft at $600.00 per year.

Since it would take at least $100,000.00 annual revenue to break even, it would be an uphill fight, and it is my opinion that something must be done about our entire rate structure to place our men in a tenable competitive position.

That Tampa is a progressive, expanding industrial area (it is now larger than Jacksonville) has been evident for several years, and entering that field now finds us in a disadvantageous position.

Alternatives seem to be three:

(1) Purchase the existing central station company at an extortionate price, if it can be done with impunity.
(2) Enter the competitive field at reduced rates which would ensure getting the greater part of the available business, but at the sacrifice of profit for a long time to come, or
(3) Abandoning the development area entirely.

The Tampa Signal Company, with its approved central office is in position to fill most protection needs except some developments which are strictly of ADT origin. Some of these features are available to them on the open market, and we find that our competitors have no hesitancy in buying and using them, even in Direct-Connect installations; example: Walter Kidde Ultrasonic.

[fol. 1939] At rates "somewhat" above those quoted by competition, ADT can, and will secure most of the business.

There isn't much doubt but that competitive prices will be investigated in nearly every instance, even by our National Accounts and users from other parts of the country. Some of them have already given contracts to Tampa Signal because we were not in position to give them what they needed.

Our successful entry in the central station field there will depend upon our competitive position.

E.O.B., E. O. Betscher, District Sales Manager.

EOB/mc

[fol. 1940] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 49

March 23, 1960.

Mr. E. Gaston
President

Mr. J. A. MacDonald
First Vice President

Tampa Signal Company, Inc.

Attached is current report on my recent negotiations with Mr. P. R. Spencer of the Tampa Signal Company, Inc. The last submission for consideration of the purchase of this company was by Mr. MacDonald in his letter of June 28, 1957 to Mr. Gaston. Since that time conditions have materially changed. It is my opinion, and recommendation, that we should attempt to establish a central station at Tampa by purchase of the Tampa Signal Company.

The question of the purchase of this company was submitted by Mr. MacDonald on May 17, 1957, to Mr. Fritz,

and in his reply dated May 22, 1957, Mr. Fritz stated, "We see no reason why you may not properly proceed to negotiation for the purchase of the property and business of the Tampa Signal Company. It is our view that on the facts presented and because of the small amounts involved and the local character of the business, nothing in the Federal Antitrust Statutes prohibits the contemplated acquisition."

During the course of my conversation with Mr. Spencer, he mentioned that some representative from the Miami area had talked to Mr. Lane about other people being in- [fol. 1941] terested in the purchase of the Tampa Signal Company, and mentioned Minneapolis-Honeywell and Walter Kidde Company. I also heard this report in Miami through Mr. Hodges of the Miami Burglar Alarm Company in his conversation with our Mr. Hough.

Vice President [A. E. Smith], Stipulation No. 1.

AES:AS

[fol. 1942] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 50

Controlled Companies of

AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Offices, 155 Sixth Ave.
New York 13, N.Y.

October 1, 1958.

E. Gaston
President

Dear Henry:

I trust that you have not forgotten the matter discussed at our meeting in Providence on July 24, 1958. I find it recurring in my thoughts quite frequently and can hope that there is something in telepathy and that you, too, are giving thought to the subject. While some ideas have come to me they are naturally quite nebulous since I have little or no knowledge of the financial situation beyond what you told me about recent stock sales.

Probably the only practicable starting point would be for

you to nominate a figure and other conditions which you might be willing to recommend to your stockholders. Whether your proposition was arrived at solely by your own deductions or through consultation with your attorneys or others is, of course, for you to decide as is, indeed, the entire question of whether or not you would be willing to recommend any price or any proposition at this time.

At the risk of seeming presumptuous, I reiterate what I said or at least suggested at our discussion on July 24, that is, that the overriding problem is concerned with estate planning and its ramifications. Granted that that is not my business, it may very definitely affect the one facet which directly concerns me and ADT. I know we all shy away from that important advance planning; possibly my suggestion that you submit a proposal for our consideration may provide the incentive to start the indicated discussions with your advisors and counselors. Working out of the details may consume considerable time.

I again apologize for seeming to inject myself into your private affairs. I am certain that you understand, however, that I do it only because of my interest in the one facet which might be affected.

[fol. 1943] Won't you pardon my persistence and tell me that you are giving consideration to the matter? It would be a pleasure to work with you!

Sincerely, E. Gaston.

Mr. Henry G. Clark, President and Treasurer, Rhode Island Electric Protective Company, 111 Mathewson Street, Providence 1, Rhode Island.

[fol. 1944] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 51

July 8, 1955.

Mr. Edward F. Gaston, President
American District Telegraph Company
155 Sixth Avenue
New York 13, New York

Dear Mr. Gaston:

I have your very kind letter of June 16th.

Needless to say, the Rhode Island Electric Protective Company has enjoyed exceedingly the very close business relations which have existed between our two companies for more than a quarter of a century. Also, we feel as you do that we have no desire, whatsoever, to see that harmonious relationship disturbed. We entertain, also, great respect for the American District Telegraph Company and its present administration and fully appreciate the present close association which we believe has redounded to the benefit of both organizations in the past. For that reason we sincerely hope that this same pleasant relationship will continue in an uninterrupted manner.

We note with great interest your remarks concerning the possibility of a desire on the part of the directors or stockholders to dispose of the stock or assets of this company without first having considered the ADT's deep interest in the situation.

Realizing the great responsibility which this company owes to the public and to the property owners of this community, I feel very confident that the directors or stockholders would be very much averse to considering any sale of this company's stock or assets to any organization not fully competent to provide the same high grade and fully recognized type of service which the Rhode Island Electric Protective Company has provided for the past seventy years.

Therefore, it is my firm and fixed belief that if at any time within the foreseeable future the directors or stockholders of this company should wish to dispose of their

interests, they would unquestionably seek out some eminently qualified and well established company in the field of electric protection such as the American District Telegraph Company. Personally, I can assure you that, if any such occasion should arise, I should be glad to acquaint you of the situation.

I feel, however, that the possibility of any such action at the present time is not imminent.

With kindest regards and thanking you for your good letter, I am

Cordially yours, Henry G. Clark, President and Treasurer.

HGC:eef

[fol. 1945] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 52

Controlled Companies of
AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Offices, 155 Sixth Ave.
New York 13, N.Y.

E. Gaston
President

June 16, 1955.

Mr. Henry G. Clark
President and Treasurer
Rhode Island Electric Protective Co.
111 Mathewson Street
Providence 1, Rhode Island

Dear Mr. Clark:

For the past quarter of a century, or more, The American District Telegraph Company, better known as ADT, has cooperated with the Rhode Island Electric Protective Company to the mutual advantage, I sincerely believe, of both companies. We have thoroughly enjoyed the harmonious relations between us and have no desire to disturb that relationship.

We have great respect for the present management of

Rhode Island Electric Protective Company who may at some time consider that our national engineering, manufacturing, purchasing and sales organizations might contribute to the more rapid expansion of the company if it were part of the ADT organization. I would feel unhappy if at any time in the future, the directors or stockholders disposed of their interest in Rhode Island Electric Protective Company to some other organization because I had failed to record ADT's deep interest in such a possibility.

It seems appropriate, therefore, that the record show that ADT is interested in discussing the possible purchase of the stock or assets of Rhode Island Electric Protective Company if at any time in the near or distant future the directors or stockholders of Rhode Island Electric Protective Company decide to consider such action.

My personal regards to you.

Sincerely, E. Gaston, President.

MRH

[fol. 1946] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 53

NEW YORK

July 28, 1958.

Confidential
Mr. J. A. MacDonald
First Vice President

Rhode Island Electric Protective Company

I visited with Mr. Clark July 24, 1958. It seemed evident that he knew the purpose of the call since he suggested we repair to his private room.

I told him that the threat of competition had alerted me to the fact that time was running out and that the Department of Justice might be more critical of a merger of the two companies if central station competition were actually established. In the course of the conversation, I indicated that I would probably retire about the first of January 1962 and that I would very much like to see Rhode Island

Electric embraced in the ADT organization before retirement.

Mr. Clark's response was that he would probably retire before I did. To my surprise, he said that he has already celebrated his 77th birthday.

Mr. Clark evidently feels that he has been under pressure, direct and indirectly, for some time, to sell out the Rhode Island Electric. He has three personal problems. First, loss of his salary as President and Treasurer, second, loss of dividends, third, high capital gains tax.

He said he is the largest stockholder but did not indicate whether or not he has majority. He bought the stock over a long period of time, apparently from $100 to $185 per share. He mentioned that the book value is $208 per share.

I suggested that anyone who took over Rhode Island Electric would have to have the counsel and advice of Mr. Clark and of Mr. Gray for some time and that whether he served as consultant or under some other title, it is unlikely that there would be any serious reduction in his compensation from that source.

[fol. 1947] I suggested that there need be little or no loss in dividends since solid investments were available and that he could reasonably expect that his income from that source would not diminish.

Respecting his capital gains, I pointed out that that is a problem that should be approached and seriously considered from two angles; the continuance of Rhode Island Electric Protective Company after his departure, and his own estate planning. I pointed out that without definite planning his estate might suffer the same capital gains tax that concerns him and, further, that the stock might well be scattered and fall into unfriendly hands if consideration of its disposition was too long delayed.

There might be some practicable way by which we could propose an attractive handling with respect of his capital gains concern. It might even be practicable to inflate the offering price sufficiently to handle the capital gains tax on the inflated price.

No mention was made as to possible price. I confined the conversation primarily to continuance of the Rhode Island Electric Protective Company uninterruptedly and with as-

surance of sympathetic understanding of its history and purpose.

I have a very vague and tentative appointment to see Mr. Clark shortly after Labor Day.

E. Gaston, President.

MT

[fol. 1948] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 54

July 7, 1960

The Stockholders of
Newark District Telegraph Company,
c/o Dr. Frederick O. Runyon, President
Newark District Telegraph Company,
Newark 2, New Jersey

Dear Sirs:

This will confirm the agreement between us for the sale of the outstanding Common Stock of Newark District Telegraph Company (hereinafter called the Company) by you, the several selling stockholders (hereinafter called the Sellers), to us as Purchaser (hereinafter called the Purchaser), as follows:

1. On the terms and subject to the conditions set forth herein, the Sellers hereby agree to sell, assign and transfer to the Purchaser on the Closing Date free and clear of all liens, pledges or encumbrances of any kind, nature or description, and the Purchaser agrees to purchase from the Sellers, severally, on said date, the respective number of shares of stock set opposite their respective signatures on the acceptance at the foot of this letter, together with any and all additional shares of the outstanding Common Stock of the Company which shall be deposited with the Sellers for sale to the Purchaser upon the same terms and conditions as herein specified.

2. On the Closing Date the Purchaser will pay for each share of stock so purchased $110, all cash.

3. On or before the Closing Date each of the Sellers [fol. 1949] will deliver to Malcolm E. Runyon, Treasurer

of the Company, certificates for the number of shares of stock being sold by him under the terms hereof, duly endorsed in blank or with duly executed stock powers attached, in proper form for transfer, to be held by him for delivery at the closing.

4. The purchase and sale provided for herein shall be made at the office of Osborne, Cornish & Scheck, Newark, New Jersey, within five days after counsel for the Purchaser shall have notified counsel for the Sellers that all consents, approvals, authorizations of, or registrations or declarations with, any governmental authority deemed required by counsel for the Purchaser have been obtained, filed, made or completed. If such notification shall not have occurred by September 30, 1960, the Sellers shall have the option to terminate this agreement on five days written notice.

5. At the closing the Sellers shall deliver to the Purchaser written resignations of all directors and officers of the Company, effective upon acceptance by the Board of Directors of the Company. The Sellers agree to call a meeting of the Board of Directors of the Company to take place upon due notice on the Closing Date, and if so requested by the Purchaser, at such meeting the resignations of the respective directors shall be accepted seriatim and the vacancies created by such resignations filled by persons to be designated by the Purchaser.

6. From and after the date of this agreement the Sellers shall cause the Company to afford the officers, attorneys, [fol. 1950] accountants and other authorized representatives of the Purchaser full access to the plants, properties, books and records of the Company in order that the Purchaser shall have full opportunity to make such investigation as it shall deem desirable of the affairs of the Company so long as such investigation shall not unreasonably interfere with operations.

7. The Sellers, and each of them represent, warrant and agree as follows:

(a) The Company is a corporation duly organized and existing and in good standing under the laws of the State of New Jersey and it has the corporate power to own its properties and to carry on its business as now being conducted.

(b) The outstanding capital stock of the Company consists of 8,000 shares of Common Stock, all of which shares have been validly issued and are fully paid and non-assessable, and there are no outstanding subscriptions, options or other agreements obligating the Company to issue any additional shares of any class.

(c) The Company has no subsidiaries other than its wholly owned subsidiary, New Jersey Fire Alarm Company.

(d) Each of the Sellers has full right, power and capacity to transfer and deliver good and valid title to the number of shares set opposite his signature at the foot hereof.

(e) The Sellers have made available to the Purchaser [fol. 1951] statements of financial condition of the Company and its wholly owned subsidiary as of December 31, 1959, prepared by Messrs. Haskins & Sells, and these statements are substantially correct, and said Companies have no other debts, liabilities or commitments other than those reflected thereon, except those of a minor or routine nature as occur in the ordinary course of business.

(f) The Company's recurring annual electric protective service revenues received from its customers under valid service agreements are presently not less than $460,000, such revenues being exclusive of any payments by customers for installation work on their premises; similar recurring annual service revenues of New Jersey Fire Alarm Company are no less than $30,000.

(g) Wherever required by law, the Company and New Jersey Fire Alarm Company have been granted and operate under valid franchise rights or such other permissive arrangements for the conduct of such business throughout each and every political or governmental subdivision in which they operate.

(h) The Company's and its wholly owned subsidiary's title to and right to ownership of all their stated assets are valid and undisputed.

8. The Purchaser represents and warrants that the Executive Committee of its Board of Directors has approved the transactions contemplated herein and has authorized [fol. 1952] the execution and delivery of this letter agreement.

9. The obligations of the Purchaser under this agreement are, at its option, subject to the conditions that at or before the Closing Date:

(a) The holders of 75% of the outstanding shares of Common Stock of the Company shall have become parties hereto.

(b) The representations and warranties of the Sellers contained herein shall be true on and as of the Closing Date with the same effect as though they had been made on such date.

(c) The Purchaser shall not have discovered any material error, misstatement or omission in the representations and warranties made by the Sellers.

(d) All actions, proceedings, instruments, transactions and documents required to carry out the terms hereof or incidental hereto and all other related legal matters shall have been approved by counsel for the Purchaser.

(e) The Purchaser shall have received an opinion of Osborne, Cornish & Scheck, counsel for the Sellers, dated the Closing Date, in form and substance satisfactory to the Purchaser and its counsel to the effect that (i) the Company and its wholly owned subsidiary are corporations duly organized and existing and in good standing under the laws of the State of New Jersey and are entitled to carry on the businesses in the places [fol. 1953] where such businesses are now conducted, (ii) the shares being sold by the Sellers hereunder are fully paid and non-assessable, (iii) so far as appears from the records of the Company, each of the Sellers, and each of the other stockholders selling their shares hereunder, has full power and authority to sell, assign and transfer his shares hereunder, and (iv) this letter agreement has been duly executed and delivered by the Sellers and is the valid and binding obligation of each of them in accordance with its terms.

10. The respective obligations of the Sellers and the Purchaser are, at the option of the Sellers and the Purchaser, respectively, subject to the further condition that no action or proceeding by or before any court or other governmental body shall have been instituted or threatened to restrain or prohibit the transactions contemplated hereunder.

11. The Sellers and the Purchaser agree that the representations and warranties contained herein shall survive the closing.

12. Each of the parties represents and warrants that there are no claims for brokerage commissions or finders' fees in connection with the transactions contemplated hereby.

13. The terms hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Purchaser's rights hereunder shall not be assigned to other than a wholly-owned [fol. 1954] subsidiary of the Purchaser.

14. This letter contains the entire agreement between the parties with respect to the transaction contemplated herein.

15. This letter has been executed by the Purchaser in a number of counterparts, and each counterpart which is also executed by one or more Sellers shall be deemed an original.

Will you kindly execute at the foot hereof your acceptance of the terms of this letter and place opposite your signature the number of shares to which your acceptance relates, whereupon this letter shall constitute an agreement among us.

Very truly yours, Holmes Electric Protective Company,
By—— ——, President.

Accepted:

Name

No. of Shares

[fol. 1955] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 55

2/13/58

Board of Directors Meeting

February 20, 1958

VI—Phila—Owl—Robinson

Forman of Owl called Webb early in Jan. to say that he & Malcom Goldstone had decided that CO business was not for sale at this time, but that when & if they reconsidered they would definitely let us know. He also professed to have no concern over possible adverse competitive effect of Robinson oper., which as far as we know is sched to start

3/1/58—Leonard contr—5 yrs—2/15/58 @ $15000 [illegible]. Penna Co. disc. of Aero F.A. serv discussed with Bank Pres—Economy move only & no thought of switching to Robinson serv.

XI—West Co Oper—

Apparently nothing can be done to elim. 1% P R assess to [illegible] Bd—We might consider sub-contracting install wk, or oper thru subsid. Co, but in view of difficulties and uncertainties, *recc. that project be abandoned*—OK—abandon

XII—P.R. [illegible]

Forman—Owl—Phila.

Called Webb to say that he & Malcolm G. had seriously [fols. 1956-1958] considered return of sale to HEP—Not interested *at this time,* but will talk with us later when and if they change their minds—

Also professed to have no concern about Robinson's activities, a/c lack of ability of *Herman Robinson* & genally poor quality of employees being assembled—

AFA—Pennsylvania Co.

Apparently, disc. Aero serv. at all locations upon contract expiration—? Rumor is that they *will switch to Robinson?*

(Bank Pres, Kelly, says fire alarm serv not req. & proposed disc is for economy only—also will suggest that Bank Comm review decision)

[Henry C. Ward] Stipulation No. 1.

[fol. 1959] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 56

May 29, 1956

Mr. James D. Fleming, President
Grinnell Corporation
275 West Exchange Street
Providence 1, R.I.

Dear Mr. Fleming:

I think Jim McDowell is beginning to consider the future of the Central Station Signals Co. more seriously. I played golf with him on Friday at the sprinkler boys outing and, while nothing definite transpired, I have a hunch I made a slight dent in his thinking and for the first time he said several significant things.

First of all, he thought we were in for a business depression and said he had a couple of hundred thousand dollars in the savings bank, for he was not trusting the stock market. Second, what he really wanted to do was to fix up Hugh (his son) with a good salary and good business prospects, in a more or less family business, before he retires. He was not referring to the service business when he said this and inferred that he was thinking of the outright sale end of his activities. Third, he said that he would only think of his key men who had been with him since the beginning, if some deal came along.

These remarks were made from time to time while I was pressing him to make some kind of a decision as to how much he would want for each dollar's worth of central office service revenue on his books. Also I was trying to

impress him with the fact that if he and the other stockholders would sell their stock to Automatic, they could undoubtedly pay taxes on any profits on a capital gains basis. I also emphasized the fact that the present administration might be more friendly to such a deal than the next administration in Washington and that perhaps time was rather essential in his decision. He is very aware that the A.D.T. was originally turned down on the General Alarm deal in Boston.

One very interesting point of our conversation was the [fol. 1960] complete absence of any reference to Larry Forman. Usually when we have had conversations he has indicated that he had absolutely no interest or thought of selling and that Larry would never think of selling either. This time the conversation evolved solely around his plans for building a place in the sun for Hugh.

Perhaps Larry Forman has lost interest in his salaried position with C.S.S. since his mother died last year. She was reputedly a very wealthy widow and is related to Larry Bell of Bell Aircraft Company. It may be that Larry's income, since his mother's death, has increased to a point where taxes on normal income are excessive and he is concentrating on a capital gains basis. It has also been rumored that his wife has a substantial income in her own right.

My thought in writing this letter is that we should formulate a few basic plans in the hope that Jim McDowell may one day soon agree to sell his stock and arrange for others to do so as well. At the moment I feel that the purchase of the stock would be the right approach, for this would give them capital gains. The method we should use to value the stock is the main point which I believe should be discussed, so that in my conversations I will be able to talk as the Board would desire.

Here are a few of my current thoughts. Unless I am greatly mistaken the A.D.T. has paid $2.50 for a $1.00 of service revenue. Perhaps they have even paid more, and in some instances less. Assuming, therefore, that this might be bought for $2.50 for each $1.00 of revenue, and assuming that McDowell has $700,000.00 of service revenue, this would make the stock value at $1,750,000.00. I am also assuming that at the moment he would not want to sell his outright sale business.

Analyzing our own central office service business, you will notice in the December 1955 statements that the net operating profit of the New York branch was 42.1% and that our net income, before Federal and State Income Taxes, was 32.1%. If we are successful it would mean that we would add $700,000.00 additional revenue into the New York branch figures, and if could maintain this 42.1% net operating profit, it would mean we would recover approximately $280,000 a year, whereas under our final figure of 32.1%, it would take eight years to recover the purchase price before taxes.

As we receive quite a bit of revenue from A.D.T. we are making a study, removing this A.D.T. revenue from our New York cost, to see what percentage we would have as our net operating profit, based entirely upon our own operations.

Quite obviously a very large percentage of our sales [fol. 1961] cost in New York is spent obtaining contracts which A.D.T. operates. A large part of our accounting cost is applicable to revenue we receive from A.D.T. and so, of course, if we take the A.D.T. revenue out of our studies it is only fair for us to take out the portion of our cost applicable to that revenue. Our net operating profit in New York will definitely be lower if we complete our study, but I think it will be interesting to find out how much lower so that we can apply this lower factor to the $700,000.00.

Just as soon as we complete this adjustment I will write you a further letter, but in the meantime I think we should give the whole matter some thought, for as you know I will be seeing a great deal of Jim McDowell in Boston next week and I hope to make some progress with him.

Kindest regards.

Yours very truly, Automatic Fire Alarm Company

[Thomas P. Drew] Stipulation No. 1, President.

TPD:MAT

[fol. 1962] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 57

AUTOMATIC FIRE ALARM COMPANY
A Central Office Signal Service on Automatic Sprinkler & Fire Alarm Systems
120 West 42nd Street, New York 36, N.Y.
Bryant 9-5000

February 16, 1959

Central Station Signals Inc.,
53 West 23rd Street
New York 10, N.Y.

Gentlemen:

We hereby make the following offer to purchase your assets, described below, for the sum of $2,850,000.00. all cash:

I. *You make the following continuing representations which shall be deemed warranties:*

(a) All of your service contracts are assignable and you are not in default under any of them.

(b) Your current receipts from such contracts are at the rate of at least $847,000. per year.

(c) Your lease for the premises which you occupy at 53 West 23rd Street, Borough of Manhattan, City of New York, terminates February 1, 1961, and is at a present rental of $19,200. per year and at a rental of $20,000. for the year beginning February 1, 1960.

(d) Your operations will be continued as presently and in normal course until the closing.

(e) There is no litigation pending against your company or in which it is a defendant or in similar position.

(f) You are the absolute owner of all the assets which are used by you in or in connection with your business, and same are free and clear of all liens and other encumberances of any sort.

[fol. 1963] (g) You are a corporation duly organized and existing under the laws of the State of New York, and there

is nothing in your Certificate of Incorporation or By-Laws which is contrary to your acceptance of this offer in the manner and on the terms and conditions herein set forth.

II. *Assets to be purchased:*

The assets to be purchased by us are all your assets on the closing date except only cash, bonds (including any deposited with the City of New York), corporate stocks, and other securities of like nature, accounts receivable arising from the sale of products manufactured by your Device Manufacturing division, the production machinery and equipment of that division, and its inventories other than those maintained to service your Central Office operations. More specifically, but without limitation of the foregoing general description, the assets to be purchased by us include all your service contracts, Central Office equipment, equipment in subscribers' (customers') premises, office furniture, furnishings, equipment, and supplies, accounts receivable (other than those excepted above), inventories of equipment and supplies maintained to service your Central Office operations, good will, patents, licenses, trade-marks, labels, and the right to use your name.

III. *Terms and conditions:*

(a) We shall assume only your obligations to subscribers (customers) under service contracts for Central Office service to be rendered, your present lease of premises at 53 West 23rd Street, Borough of Manhattan, City of New York, your agreements and franchises with the City of New York or its Fire Commissioner, and your New York Telephone Company contracts. Such lease, agreements, [fol. 1964] franchises, and telephone company contracts, or such of them as we may designate, shall be assigned to us as and if we so request. We shall not assume any of your other obligations or liabilities of any nature, including any Labor Union contract.

(b) We shall reimburse you for such severance pay, totaling not in excess of $50,000, as you may be obligated to pay to your employees under your Labor Union contract upon termination of their employment by you, we

however to be entitled to negotiate with the appropriate Labor Union officials with respect to any and all such severance pay and to have your cooperation in any such negotiation.

(c) At the closing you shall furnish us with agreements in form satisfactory to our counsel and executed by your Mr. James McDowell, Mr. Hugh McDowell, and Mr. Lawrence Forman, in which they and each of them agree not to engage, directly or indirectly, in any phase of the alarm business or the fire protection business, or aid or assist anyone else so to do, or have any interest, direct or indirect, in any such business, in any of the five boroughs of the City of New York, or in the City of Philadelphia, Pennsylvania, or in the City of Boston, or of Charlestown, Massachusetts, for a period of 20 years commencing with the date of the closing, except, as to Mr. Hugh McDowell and as to Mr. Forman, as our employee, and except that Mr. James McDowell may continue to produce and sell thermostats for interior residence alarm use only.

(d) There shall, to the date of closing, be no material decrease in your operations, assets to be purchased by us (including inventories for servicing your Central Office operations), or employees, no material increase in the salaries or wages of your employees, and no material change [fol. 1965] in the terms of your service contracts.

(e) At the closing you shall deliver to us complete possession of the assets to be purchased by us as aforesaid, free and clear of liens or other encumberances of any sort, together with such instruments of transfer of title thereto as may, in the opinion of our counsel, be necessary or proper, such instruments to be in form approved by our counsel.

(f) For not to exceed five months immediately following the closing, you shall continue operations, as presently conducted, at and from your present location, but under our direction, for our account, and at our expense, and to such extent and for so long (but not in excess of five months) as we may specify, and you shall continue to employ, at our expense, such employees as we shall designate for so long, in the case of each such employee, as we shall specify.

(g) If this offer is accepted by you, our obligations hereunder may be terminated at our option:

(1.) If any of the matters and things referred to in I hereof be found to be not as there represented.

(2.) If you fail to perform any of the terms and conditions hereof on your part to be performed.

(3.) If we are unable to secure from our counsel clearance and approval satisfactory to us as to the legality of the proposed purchase under all applicable laws. You are to cooperate in furnishing any information our counsel may request in this connection.

(h) When, as, and if we obtain from our counsel the satisfactory clearance and approval referred to in paragraph (g) (3.) hereof you shall, until the time of closing, permit our representatives to make such inspections of your premises, assets, books, records, contracts, certificate of in- [fol. 1966] corporation and amendments thereto, by-laws, etc., and make such copies thereof and take such extracts therefrom, as we may deem advisable.

(i) This offer is, as soon as reasonably possible, to be submitted to your Board of Directors for its approval and acceptance, and its recommendation that your stockholders approve same and consent to the sale herein proposed. If such approval, acceptance, and recommendation by your Board of Directors is obtained, such acceptance shall be subject to the approval of, and the consent to such sale of, the holders of such proportion of your then outstanding shares of stock entitled to vote thereon as is required by law, which approval and consent are to be given or obtained in the manner required by law. But this offer shall not be submitted to your stockholders or be otherwise made known to anyone other than the members of your Board until after we have notified you in writing of the receipt by us of the satisfactory clearance and approval by our counsel referred in paragraph (g) (3.) hereof.

(j) As soon as is possible after the closing date you shall pay all of your indebtednesses and discharge all your obligations other than those assumed by us, and shall completely liquidate and dissolve your company.

(k) The closing date, which shall be subject to change by mutual agreement, shall be two weeks after the above-described approval and consent of your stockholders.

Very truly yours, Automatic Fire Alarm Company,
By Thomas P. Drew, President.

[fol. 1967] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 58

Memorandum for File

Central Station Signals, Inc., New York, N.Y.

The following was reported to the Board of Directors on May 21, 1959:

"I had a visit from Mr. McDowell of Central Station Signals very recently. He told me that the Automatic Fire Alarm Company was mad at him because he refused to sell and that they had embarked on a price-cutting campaign which he was being forced to meet. The purpose of his visit was to ask me, confidentially, whether the price-cutting idea was Mr. Drew's or Mr. Fleming's. I told him that I did not know how I could find out since there was no interchange of confidences between the companies. I said that the Grinnell people did not talk about AFA business at the ADT meetings and I assumed that they did not talk about ADT business at the AFA meetings. Mr. McDowell's rebuttal was that ADT was affected since we had to operate the cut-rate jobs. I told him that I had not noticed any rash of cut-rate jobs. He said that probably I would not since Central Station Signals was getting a greater percentage of the jobs now than ever. I said that if ADT was hurt by it, I could, with good grace, discuss the matter with the Chairman of the Board but, otherwise, I was not sticking my neck out. In our quite friendly conversation, Mr. McDowell said that they had definitely made up their mind not to sell. When I asked how long he could stand the cut-rate tactics he said: "Hell, we can stand it for 20 years."

Mr. Fleming said that the deal had reached the point where Hugh McDowell and Larry Foreman had actually signed 10-year employment contracts conditional upon the sale going through. Mr. Clapp said that he had sat in on an all-day discussion of the details. The discussion evidently resulted in a request for audited figures of Central Station Signals. Shortly thereafter the deal collapsed.

Mr. Fleming's conjecture is that when Central Station Signals brought in an outside auditor, he warned them about disclosure of some of their tax practices and pos-
[fol. 1968] sibly advised them against doing anything that would result in disclosure or examination of such practices. He thinks that is the reason the deal collapsed.

Later, Mr. Fleming recounted that Automatic Fire Alarm Company was paying commissions to insurance brokers who recommended their service. Mr. Drew said that this was merely following the Central Station Signals practice which is not followed by ADT. Mr. Drew said he was having some difficulty because when a broker came to them with a prospect outside of the AFA territory and ADT refused to pay the commission, the broker became aggravated and turned all of his service over to Central Station Signals. Mr. Fleming wanted to know whether ADT could under such circumstances pay the commission indirectly. I told Mr. Fleming that I would prefer to have nothing whatever to do with the practice since I thought it was dangerous and doubted that Tom Drew had enough such circumstances to make much of an impact on his business. Mr. Smith concurred and expressed the belief that there were very few brokers accepting this type of payment and he doubted that much business resulted from it. Mr. Fleming said: "Forget it."

Nothing developed in the conversation that would provide an answer to Mr. McDowell's concern as to whether the price war by Automatic Fire Alarm Company is Mr. Drew's idea or Mr. Fleming's.

G, President, [E. Gaston], Stipulation No. 1.

New York 13, N.Y., May 22, 1959.

[fol. 1969] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 59

Appendix to President's Report for meeting of November 19, 1959

Jim McDowell asked me to have lunch with him last Friday. I did, and he expressed concern at the questioning of the FBI agent who had been back to see him. He said that the agent wanted a list of comparable jobs and the quotations by AFA before and after discontinuance of the negotiations by AFA to purchase CSS. Mr. McDowell said he told the agent he did not want to give him any such listing. The agent said he could subpoena them if necessary.

I asked him whether he, McDowell, thought there was a difference in the quotations between the two periods. He said: "Oh, yes positively", that practically every day there were instances where the AFA quotation was extremely low. As he said: "practically nothing."

I expressed surprise that the FBI agent would be interested in AFA practices since our information indicated that they were investigating ADT practices. He said the agent referred to ADT and to Grinnell as well as to AFA and gave McDowell the impression that he considered them all one.

Mr. McDowell said he had thought of discussing the matter with Mr. Fleming but decided to talk to me first since he did not think any purpose would be served by talking to Mr. Drew.

I thanked him and told him I did not know what I could do with the information but I would think about it.

Fyr-Fyter Company

Mr. McDowell tells me that Fyr-Fyter moved the Globe factory from Philadelphia to Newark but had considerable difficulty with new help in the fabrication of heads. According to Jim, they had to change about 250,000 defective heads at Oak Ridge and elsewhere.

G, President [E. Gaston] Stipulation No. 1.

New York 13, N.Y., November 13, 1959.

cc: Mr. J. A. MacDonald

It might be well to have whatever information we can develop as to the quotations on recent AFA jobs and how they compare with prices charged on the jobs which went through last year. I do not know just when the negotiations broke down but I reported orally at the Board meeting on May 21, [fol. 1970] 1959 that I had had a visit from Mr. McDowell who said then that AFA had embarked on a price-cutting campaign.

G, President, [E. Gaston], Stipulation No. 1.

November 13, 1959

[fol. 1971] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 60

December, 1960

The Stockholders of
Central Station Signals, Inc.
c/o Mr. James McDowell, President
New York, N.Y.

Dear Sirs:

This will confirm the agreement between us for the sale of the outstanding Common Stock of Central Station Signals, Inc. (hereinafter called the Company) by you, the several selling stockholders (hereinafter called the Sellers), to us as Purchaser (hereinafter called the Purchaser), as follows:

1. On the terms and subject to the conditions set forth herein, the Sellers hereby agree to sell, assign and transfer to the Purchaser on the Closing Date free and clear of all liens, pledges or encumbrances of any kind, nature or description, and the Purchaser agrees to purchase from the Sellers, severally, on said date, the respective number of shares of stock owned by them and set opposite their respective signatures on the acceptance at the foot of this letter, together with any and all additional shares of the outstanding Common Stock of the Company which shall be deposited with the Sellers for sale to the Purchaser upon the same terms and conditions as herein specified.

2. On the Closing Date the Purchaser will pay for each share of stock so purchased $, all cash.

3. On or before the Closing Date each of the Sellers will deliver to Lawrence C. Forman, Treasurer of the Company, certificates for the number of shares of stock being sold by him under the terms hereof, duly endorsed in blank or with duly executed stock powers attached, in proper form for transfer, with state and federal stock transfer stamps affixed and cancelled, or with funds sufficient for the pur-
[fol. 1972] chase thereof, to be held by him for delivery at the closing.

4. The purchase and sale provided for herein shall be contingent on receipt by the Purchaser of a satisfactory opinion from its counsel that the transactions contemplated by this agreement may be lawfully consummated. If Purchaser shall not have obtained such an opinion on or before March 31, 1961, then this agreement may be terminated by either party by written notice from its counsel to counsel for the other party.

5. (a) Upon receipt by the Purchaser of a satisfactory opinion of counsel as provided for in paragraph 4. hereof counsel for the Purchaser shall so notify counsel for the Sellers.

(b) Upon receipt of such notification the Sellers shall cause the Company to afford the officers, attorneys, accountants and other authorized representatives of the Purchaser full access to the plants, properties, books and records of the Company in order that the Purchaser shall have full opportunity to make such investigation as it shall deem desirable of the affairs of the Company, so long as such investigation shall not unreasonably interfere with Company operations.

(c) If as a result of such investigation the Purchaser shall be satisfied that all representations and warranties of the Sellers have been fully complied with, counsel for the Purchaser shall so notify counsel for the Sellers. Such notification shall be not later than four weeks after notification of counsel for the Sellers pursuant to subparagraph (a) of this paragraph 5.

(d) The purchase and sale provided for herein shall be made at the office of Central Station Signals, Inc., New York, N.Y., five days after notification of counsel for the Sellers pursuant to subparagraph (c) of this paragraph 5.

[fol. 1973] (e) At the same time the Sellers shall cause to

be delivered to the Purchaser written resignations of all Directors and Officers of the Company effective upon acceptance of the same by the Board of Directors of the Company and shall cause a meeting of said Board to be held at the closing at which such, or all, of such resignations, as the Purchaser shall designate, shall be accepted seriatim and the vacancies thereby created shall be filled by persons designated by the Purchaser.

6. The Sellers, and each of them, represent, warrant and agree as follows:

(a) The Company is a corporation duly organised and existing and in good standing under the laws of the State of New York and it has the corporate power to own its properties and to carry on its business as now being conducted.

(b) The outstanding capital stock of the Company consists only of 6,600 shares of Common Stock, all of which shares have been validly issued and are fully paid and non-assessable, and there are no outstanding subscriptions, options or other agreements obligating the Company to issue any additional shares of any class.

(c) Each of the Sellers has full right, power and capacity to transfer and deliver good and valid title to the number of shares set opposite his signature at the foot hereof.

(d) The Sellers have made available to the Purchaser statements of financial condition and earnings of the Company as of December 31, 1959, and these statements are substantially correct, and said Company has [1] no other debts, liabilities or commitments other than those reflected thereon, except those of a minor or routine nature as occur in the ordinary course of business. The financial condition of the Company on the date of the closing will indicate [2] that [2a] current assets, namely cash, marketable investments, ac- [fol. 1974] counts receivable, merchantable inventory, prepaid insurance and deposits receivable, are not less than all liabilities, including unearned service revenue.

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[1] Should not this word be "had"?

[2] I would substitute "be such" for "indicate"

[2a] I would insert before "current" the words "the actual value of its."

(e) All federal and state income, franchise, and similar tax returns of the Company have been filed when due and all taxes thereon have been paid. All federal income tax returns up to and including the calendar year 1959 have been audited and no additional tax or penalty with respect thereto has been assessed or proposed. If any additional income, franchise or similar taxes, or any penalties, are assessed or proposed for the year 1959 or the year 1960 the amount thereof divided by 6,600 shall be deducted from the price payable per share as stated in paragraph 2 hereof and the purchase price of the Company's shares of stock hereunder shall be reduced accordingly.

(f) The Company has signed service contracts for electric protective service which indicate [3] annual service revenues from its customers of not less than $1,000,000.00, such revenues being exclusive of any payments by customers for installation work on their premises.

(g) The Company is operating under valid permissive arrangements for the conduct of its business throughout each and every political and governmental sub-division in which it operates.

(h) The Company's title to and right to ownership of all its stated assets are valid, undisputed and unencumbered.

(i) There is no litigation nor claims pending or threatened against the Company except workmen's compensation or accident claims, awards or judgments fully covered by insurance.

(j) The Company carries Workmen's Compensation, Public Liability and property damage insurance which, in accordance with [4] the opinion of its Board of Directors, is [fol. 1975] completely adequate.

(k) The Company has no employment contracts or commitments, other than the Union contract. No substantial change from the practices and salary arrangements indicated in the financial statement of December 31, 1959 has been made since December 31, 1959 in connection with salary or compensation of any employee.

(l) No dividends in cash or stock have been declared or

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[3] I would substitute "provide current" for "indicate"

[4] I would eliminate "accordance with"

paid since December 31, 1959, except regular dividends as follows:

$5.00 per share paid on June 1, 1960
and $6.00 per share paid on December 1, 1960

(m) The Company's lease for its place of business at 53 W. 23rd Street, New York, N.Y. terminates December 31, 1961. The present rental is $19,500.00 per year and that for 1961 is $20,000.00.

(n) To the date of closing there will be no material decrease in the Company's operations, or in its employees, or in the value of its assets, and no material increase in the salaries or wages of its employees, or in its liabilities, and there will be no material change in the terms of its service contracts, or in its outstanding capital stock, or in the subject matter of any of the other representations and warranties contained in this agreement, without the approval in writing of the Purchaser. The Company is presently engaged in negotiations with Local #3 of the International Brotherhood of Electric Workers and it will negotiate as favorable a contract as it can and keep the Seller's counsel advised as to its negotiations.

(o) The Sellers, their counsel, and the Officers and Directors of the Company will cooperate to the best of their ability with the Purchaser and its counsel in seeking to obtain the consents and approvals of governmental authorities deemed necessary or advisable by counsel for the Purchaser in order that he may give the Purchaser the opinion of legality referred to in paragraph 4. hereof.

[fol. 1976] 7. The Purchaser has submitted to the Seller its most recent financial statement and warrants [5] the correctness thereof.[5] The Purchaser also represents and warrants that it is authorised under its corporate charter to make the purchase herein and that all appropriate steps have been taken which are required under its Charter and By-laws to make the purchase herein, including proper resolutions of its Board of Directors and the Excutive Committee of its Board of Directors and that such resolutions authorise the execution of this letter agreement.

8. The obligations of the Purchaser under this agreement

[5-5] I would substitute "that same is substantially correct."

are, at its option, subject to the conditions that at or before the Closing Date:

(a) The holders of 85% of the outstanding shares of Common Stock of the Company shall have become parties hereto.

(b) The representations and warranties of the Sellers contained herein shall be true on and as of the Closing Date with the same effect as though they had been made on such date.

(c) The Purchaser shall not have discovered any material error, misstatement or omission in the representations and warranties made by the Sellers.

(d) All actions, proceedings, instruments, transactions and documents required to carry out the terms hereof or incidental hereto and all other related legal matters shall have been approved by counsel for the Purchaser.

(e) The Purchaser shall have received an opinion of counsel for the Sellers, dated the Closing Date, in form and substance satisfactory to the Purchaser and its counsel to the effect that (i) the Company is a corporation duly organised and existing and in good standing under the laws of the State of New York and is entitled to carry on the [fol. 1977] business in the place where such businesses are conducted, (ii) the shares being sold by the Sellers hereunder are fully paid and non-assessable, (iii) so far as appears from the records of the Company, each of the Sellers, and each of the other stockholders selling their shares hereunder, has full power and authority to sell, assign and transfer his shares hereunder, and (iv) this letter agreement has been duly executed and delivered by the Sellers and is the valid and binding obligation of each of them in accordance with its terms.

(f) At the Closing Date an agreement shall be signed by the President and both Vice-Presidents of the Company undertaking not to engage, directly or indirectly, in the alarm or fire protection business, or aid or assist anyone else to do so, in Boston and[6] Charlestown, Mass., Philadelphia, Pa., or New York City, New York, for a period of 20 years; except that any of the said Officers may be employed by the Purchaser.

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[6] I would substitute "or" for "and"

9. Each of the parties represents and warrants that there are no claims for brokerage commissions, finders' fees, or similar compensation in connection with the transactions contemplated hereby.

10. The Sellers and the Purchaser agree that the representations and warranties herein contained shall survive the closing.

11. For all purposes of this agreement, and until further notice, counsel for the Sellers shall be — of — and counsel for the Purchaser shall be — of ——.

12. This letter contains the entire agreement between the parties with respect to the transactions contemplated herein.

13. This letter has been executed by the Purchaser in a number of counterparts, and each counterpart which is also executed by one or more Sellers shall be deemed an original. [fol. 1978] Will you kindly evidence your acceptance of the terms of this letter by signing below and place opposite your signature the number of shares to which your acceptance relates, whereupon this letter shall constitute the agreement between us.

Very truly yours, Automatic Fire Alarm Company,
by —— ——, President.

Accepted:

Name No. of Shares

[fol. 1979] In the United States District Court

Government Exhibit No. 61

Agreement made this 28th day of September 1906, between The Holmes Electric Protective Company, a corporation created under the laws of the State of New York (hereinafter called the Holmes Company) and the American District Telegraph Company (of New Jersey), a corporation created under the laws of the State of New Jersey (hereinafter called the District Company),

Witnesseth:

That Whereas both of the above mentioned Companies have prior hereto been engaged in conducting and operating burglar alarm and watch signal businesses in various localities within the United States; and

Whereas the Holmes Company has decided to retire from the watch signal business, and to sell and dispose of all such business which it now has in hand, and the District Company has agreed to purchase the same from the Holmes Company; and

Whereas the District Company has decided to retire absolutely from the burglar alarm business within the following territories, to wit: The States of New Jersey, Maryland and Delaware; the Counties of New York, Richmond, Kings, Queens, Nassau, Suffolk, Westchester and Rockland in the State of New York; so much of the State of Connecticut as is within a radius of thirty-three (33) miles from the City Hall, in the Borough of Manhattan in The City of New York; the Counties of Philadelphia, Delaware, Chester, Montgomery, Bucks and Allegheny in the State of Pennsylvania; and the District of Columbia; and has decided to sell and dispose of its burglar alarm business within the said territory; and the Holmes Company has agreed to purchase from the District Company the [fol. 1980] good will of its burglar alarm business within said territory.

Now, Therefore, it is hereby mutually agreed as follows:

Article I. In consideration of the issue and payment by the District Company of five hundred (500) shares of its capital stock of the par value of Fifty Thousand Dollars ($50,000) to the Holmes Company, the receipt whereof is hereby acknowledged, and in further consideration of the sale and assignment by the District Company to the Holmes Company of all the right, title, interest and good will in, to and of its burglar alarm business within the above mentioned territory, together with the covenant hereinafter made by the said District Company in relation thereto, the Holmes Company hereby sells, assigns, transfers and conveys to the District Company all right, title, interest and good will in, of and to all its watch signal service business of every kind, together with all outstanding contracts for

such service and so much of its property, equipment and appliances used solely in connection with said watch signal business as is upon subscribers' premises. It is, however, agreed that the Holmes Company shall retain and may continue to operate watch signal service in the premises of financial institutions within said territory with which it has or may hereafter have burglar alarm telegraph contracts, it being expressly understood that the word "premises" is limited to so much of any building as may be devoted to the financial purposes of its burglar alarm subscribers.

Article II. The Holmes Company shall forthwith retire from and absolutely discontinue all signal service business [fol. 1981] and it expressly covenants and agrees with the District Company that from and after this date it will not engage in signal service business of any kind, either directly or indirectly, through constituent companies, lessees or licensees, except as provided in Article I; and will confine its burglar alarm telegraph business to places within the above described territory.

Article III. The District Company as a further consideration for the sale and assignment to it by the Holmes Company of all of the latter's watch signal service business, and good will thereof, together with its covenant in relation thereto as aforesaid, hereby sells, assigns, transfers and conveys to the Holmes Company all right, title, interest and good will in, to and of its burglar alarm business within the aforesaid territory, together with all outstanding contracts for such business and so much of its property, equipment and appliances used solely in connection with said burglar alarm business as is upon subscribers premises.

Article IV. The District Company shall forthwith retire from and absolutely discontinue burglar alarm telegraph business in all its branches within said territory, and it hereby expressly covenants and agrees with the Holmes Company that neither it nor its constituent companies shall or will at any time hereafter engage in any form of burglar alarm telegraph business within said territory either directly or indirectly through constituent companies or by lessees or licensees.

Article V. Each of the parties hereto shall at once commence the transfer and delivery to the other party, of the respective business sold by it together with outstanding contracts, property, equipment and appliances as aforesaid [fol. 1982] and shall complete such transfer and delivery as soon as may be. The transfer of said business and all income and charges shall be made, adjusted and apportioned as of October 1st, 1906.

Article VI. It is mutually understood and agreed that the business of the Holmes Electric Protective Company of Boston is in no way affected by this agreement.

In Witness Whereof the said parties have hereto caused their corporate names to be signed and their corporate seals to be affixed by their proper officers, respectively, the day and year first above written.

The Holmes Electric Protective Company, By F. T. Holmes, President.

Attest:

Edw. F. Fisher, Secretary.

American District Telegraph Company (of New Jersey), By R. C. Clowry, President.

Attest:

I. B. Ferguson, Secretary.

[fol. 1983] In the United States District Court

Government Exhibit No. 62

This agreement, made this 26th day of March, 1918, between the Holmes Electric Protective Company, a corporation created under the laws of the State of New York (hereinafter called the Holmes Company), the American District Telegraph Company (of New Jersey), a corporation created under the laws of the State of New Jersey (hereinafter called the District Company), and the National District Telegraph Company, a corporation created under the laws of the State of New York (hereinafter called the National Company),

Witnesseth:

Whereas, the Holmes Company and the District Company heretofore entered into an agreement in writing, bearing date the 28th day of September 1906, a copy of which agreement is hereto annexed and made part hereof; and

Whereas, the National Company is a constituent company of the District Company and desires to, and the District Company desires to have the National Company, engage in and conduct a burglar alarm business in Long Island City, State of New York;

Now, therefore, in consideration of the sum of one dollar ($1.00) paid by each of the parties hereto to the other, the receipt whereof is hereby acknowledged, and of the mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

First: The Holmes Company hereby agrees and consents that the National Company may engage in and conduct a burglar alarm business in Long Island City, State of New York.

Second: Should the Holmes Company either directly or through a constituent company, hereafter determine to engage in or conduct a burglar alarm business in Long Island City, the National Company shall, and the District Company covenants and agrees that the National Company will, by proper and effectual deeds or instruments of conveyance delivered to the Holmes Company or its nominee, sell, assign, transfer and convey unto the Holmes Company, or its nominee, free from all obligations, judgments, liens, [fol. 1984] mortgages, taxes or encumbrances, all the plant and property, together with good-will and subscribers' contracts, owned, held and possessed and used or operated, or intended to be used or operated, by the National Company in Long Island City, State of New York, in the burglar alarm service and business, at a price equal to the value of such plant and property, as determined by replacement cost new, less a fair figure for depreciation; if such value cannot be agreed upon the same shall be determined by arbitration, as follows:

The Holmes Company and the National Company shall

each select an arbitrator who shall be a resident freeholder of the City of New York and these two shall select a third arbitrator; and these arbitrators shall thereupon determine the value and submit their decision in writing to the parties hereto and such decision shall be a final determination as to the value of the property and shall be binding upon said parties and said parties agree that a judgment of a court of record may thereupon be entered upon such decision. Such arbitration and its procedure shall be in accordance with the Statutes of the State of New York in such case made and provided, and particularly pursuant to and under the provisions of the Code of Civil procedure of the State of New York.

Third: It is agreed between the parties that, inasmuch as the actual damages which might be suffered by the Holmes Company or its nominee by reason of the non-performance of the National Company and the District Company of the obligations by them or either of them assumed by Section "Second" hereof are difficult of ascertainment, the said National Company and District Company jointly and severally agree to pay annually during the continuance of such non-performance as liquidated damages and not as a penalty, for such non-performance, fifty percent of the gross annual revenues called for by the from time to time existing subscribers' contracts under operation by the National Company during the continuance of such non-performance, computed for the period of non-performance; it is further agreed, however, that this specification of liquidated damages is not intended to and shall not be construed to in any [fol. 1985] way limit or waive the right of the Holmes Company or its nominee to any other remedy or recourse at law or in equity whether for specific performance or otherwise, except to limit the recovery of money damages to the amount aforesaid.

Fourth: The aforesaid agreement of September 28, 1906, shall, except as hereinbefore otherwise explicitly provided, remain in full force and effect.

Fifth: The provisions of this agreement shall apply to and bind and inure to the benefit of the successors and assigns of the respective parties hereto.

In Witness Whereof, the parties have executed this agreement under seal in triplicate, and have delivered the same on the day and year first above written.

Holmes Electric Protective Company by E. T. Holmes, President.

Attest:

Wm. J. Farquhar, Secretary.

American District Telegraph Company (of New Jersey), by W. L. Jacoby, President.

Attest:

G. J. McLain, Secretary.

National District Telegraph Company, by W. L. Jacoby, President.

Attest:

G. J. McLain, Secretary.

[fol. 1986] State of New York,
County of New York, ss:

On the 30th day of April, 1918, before me personally came E. T. Holmes, to me known, who, being by me duly sworn, did depose and say that he resides in the City of New York, N. Y. that he is President of the Holmes Electric Protective Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Lincoln Jones, Notary Public, Kings Co., No. 2, Cert. Filed in N.Y.Co. No. 4.

State of New York,
County of New York, ss:

On the 30th day of April, 1918, before me personally came W. L. Jacoby to me known, who, being by me duly sworn, did depose and say that he resides in Larchmond, New York, that he is the President of the American District Telegraph Company (of New Jersey), one of the corpora-

tions described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

[Copy Illegible.]

[fol. 1987] STATE OF NEW YORK,
County of New York, ss:

On the 30th day of April, 1918, before me personally came W. L. Jacoby, to me known, who, being by me duly sworn, did depose and say that he resides in Larchmon, New York, that he is the President of the National District Telegraph Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

[Copy Illegible.]

[fol. 1988] Agreement made this 28th day of September, 1906, between The Holmes Electric Protective Company, a corporation created under the laws of the State of New York (hereinafter called the Holmes Company) and the American District Telegraph Company (of New Jersey), a corporation created under the laws of the State of New Jersey (hereinafter called the District Company),

Witnesseth:

That Whereas both of the above mentioned Companies have prior hereto been engaged in conducting and operating burglar alarm and watch signal businesses in various localities within the United States; and

Whereas the Holmes Company has decided to retire from the watch signal business, and to sell and dispose of all such business which it now has in hand, and the District Company has agreed to purchase the same from the Holmes Company; and

Whereas the District Company has decided to retire absolutely from the burglar alarm business within the fol-

lowing territories, to wit: The States of New Jersey, Maryland and Delaware; the Counties of New York, Richmond, Kings, Queens, Nassau, Suffolk, Westchester and Rockland in the State of New York; so much of the State of Connecticut as is within a radius of thirty-three (33) miles from the City Hall, in the Borough of Manhattan in the City of New York; the Counties of Philadelphia, Delaware, Chester, Montgomery, Bucks and Allegheny in the State of Pennsylvania; and the District of Columbia; and has decided to sell and dispose of its burglar alarm business within the said territory; and the Holmes Company has agreed to purchase from the District Company the goodwill of its burglar alarm business within said territory.

[fol. 1989] Now, Therefore, it is hereby mutually agreed as follows:

Article I. In consideration of the issue and payment by the District Company of five hundred (500) shares of its capital stock of the par value of Fifty Thousand Dollars ($50,000) to the Holmes Company, the receipt whereof is hereby acknowledged, and in further consideration of the sale and assignment by the District Company to the Holmes Company of all of the right, title, interest and good will in, to and of its burglar alarm business within the above mentioned territory, together with the covenant hereinafter made by the said District Company in relation thereto, the Holmes Company hereby sells, assigns, transfers and conveys to the District Company all right, title, interest and good will in, of and to all its watch signal service business of every kind, together with all outstanding contracts for such service and so much of its property, equipment and appliances used solely in connection with said watch signal business as is upon subscribers' premises. It is, however, agreed that the Holmes Company shall retain and may continue to operate watch signal service in the premises of financial institutions within said territory with which it has or may hereafter have burglar alarm telegraph contracts, it being expressly understood that the word "premises" is limited to so much of any building as may be devoted to the financial purposes of its burglar alarm subscribers.

Article II. The Holmes Company shall forthwith retire from and absolutely discontinue all signal service business and it expressly covenants and agrees with the District Company that from and after this date it will not engage in signal service business of any kind either directly or indirectly, through constituent companies, lessees or li-
[fol. 1990] censees, except as provided in Article I; and will confine its burglar alarm telegraph business to places within the above described territory.

Article III. The District Company as a further consideration for the sale and assignment to it by the Holmes Company of all of the latter's watch signal service business, and good-will thereof, together with its covenant in relation thereto as aforesaid, hereby sells, assigns, transfers and conveys to the Holmes Company all right, title, interest and good will in, to and of its burglar alarm business within the aforesaid territory, together with all outstanding contracts for such business and so much of its property, equipment and appliances used solely in connection with said burglar alarm business as is upon subscribers' premises.

Article IV. The District Company, shall forthwith retire from and absolutely discontinue burglar alarm telegraph business in all its branches within said territory, and it hereby expressly covenants and agrees with the Holmes Company that neither it nor its constituent companies shall or will at any time hereafter engage in any form of burglar alarm telegraph business within said territory either directly or indirectly through constituent companies or by lessees or licensees.

Article V. Each of the parties hereto shall at once commence the transfer and delivery to the other party of the respective business sold by it together with outstanding contracts, property, equipment and appliances as aforesaid and shall complete such transfer and delivery as soon as may be. The transfer of said business and all income and charges shall be made, adjusted and apportioned as of October 1st, 1906.

[fol. 1991] Article VI. It is mutually understood and agreed that the business of the Holmes Electric Protective Company of Boston is in no way affected by this agreement.

In Witness Whereof the said parties have hereto caused their corporate names to be signed and their corporate seals to be affixed by their proper officers, respectively, the day and year first above written.

The Holmes Electric Protective Company, By (signed) E. T. Holmes, President.

[Seal.]

Attest:

(signed) Edwin F. Fisher, Secretary.

American District Telegraph Company (of New Jersey), By (signed) R. C. Clowry, President.

[Seal.]

Attest:

(signed) I. B. Ferguson, Secretary.

[fol. 1992] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 63

This Agreement, made this 14th day of June, 1922, between the Holmes Electric Protective Company, a corporation created under the laws of the State of New York (hereinafter called the Holmes Company), the American District Telegraph Company (of New Jersey), a corporation created under the laws of the State of New Jersey (hereinafter called the District Company), and the American District Telegraph and Messenger Company, a corporation created under the laws of the State of New Jersey (hereinafter called the Messenger Company):

Witnesseth:

Whereas, the Holmes Company and the District Company heretofore entered into an agreement in writing, bearing date the 28th day of September, 1906, a copy of which agreement is hereto annexed and made part hereof; and

Whereas, the Messenger Company is a constituent Company of the District Company and desires to, and the District Company desires to have the Messenger Company,

engage in and conduct a burglar alarm business in the cities of Paterson and Passaic, in the State of New Jersey;

Now, Therefore, in consideration of the sum of one dollar ($1.00) paid by each of the parties hereto to the others, the receipt whereof is hereby acknowledged, and of the mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

First: The Holmes Company agrees and consents that the Messenger Company may engage in and conduct a burglar alarm business in the cities of Paterson and Passaic in the State of New Jersey, upon and subject to the terms and conditions hereinafter set forth.

Second: The District Company and the Messenger Company jointly and severally agree that so long as the Messenger Company, or its successors or assigns (other than the Holmes Company) operate burglar alarm business within the cities of Paterson and Passaic or either of said cities:

[fol. 1993] (a) The Messenger Company, or its said successors or assigns, shall maintain adequate and correct auditing and accounting methods to permit the determination at any and all times of the gross receipts derived from the burglar alarm business in each of said two cities, and the Holmes Company shall have access to such books for the purpose of checking such receipts. The term "gross receipts" as used throughout this agreement shall include all receipts other than monies received for so-called installation fees, reconstruction, moving or change of equipment expenses.

(b) Such burglar alarm service shall be covered by contracts with the subscribers therefor providing for such service only and shall not be included in contracts providing for, nor include, any other service; and the Messenger Company, so far as it may legally do so, and subject to such changes as it may from time to time deem desirable to make, shall charge for burglar alarm service substantially at the rates from time to time advised in writing to the Holmes Company.

(c) The Messenger Company, or its said successors or assigns, shall pay to the Holmes Company monthly on or before the 15th day of each month, a sum equal to five percent (5%) of the gross receipts (as hereinbefore defined) derived or collected (irrespective of when the same became

due and payable) from such burglar alarm business during the past calendar month. Such payments to the Holmes Company are, and are to be considered as, royalty payments, and nothing in this agreement shall be construed to mean that any of the Holmes Company's rights or privileges under the aforesaid agreement, dated September 28, 1906, are waived or abrogated. If, for any reason, it becomes necessary or the Messenger Company is required, to refund to a subscriber any portion of the receipts as [fol. 1994] above specified, the Holmes Company shall not be entitled to participate under this clause in the amount so refunded, and in the event of the Messenger Company having paid to the Holmes Company said Company's participation in the amount so refunded to the subscriber, the Holmes Company shall refund the amount of such participation to the Messenger Company.

Third: The Holmes Company reserves, and the District Company and the Messenger Company hereby grant to the Holmes Company, the right either directly or through a constituent Company or Companies, to take over and operate such burglar alarm business in the cities of Paterson or Passaic, either separately at different times or in both cities at one time, at any times or time after ten years from the date of this agreement; and the Holmes Company further agrees that, in the event of its desire so to do it shall send notice thereof in writing to the Messenger Company at least three months in advance of the date on which such transfer is to be made. After receipt of such notice, the Messenger Company, or its successors or assigns, shall, and the District Company covenants and agrees that the Messenger Company, or its successors or assigns, will, on the appointed date, by proper and effectual deeds or instruments of conveyance delivered to the Holmes Company or its nominee or nominees, sell, assign, transfer and convey to the Holmes Company or its nominee or nominees, free from all obligations, judgments, liens, mortgages, taxes or encumbrances, all the burglar alarm plant, equipment or property of the Messenger Company and/or its successors or assigns, installed in the premises of subscribers to its and/or their burglar alarm service, together with good will and subscribers' contracts (including all sums due or growing due thereunder from subscribers) for such burglar

alarm service, owned, held and possessed, and used or operated by it and or them in the cities of either Paterson [fol. 1995] or Passaic, or in both cities as may be required by said notice, at a price equal to forty-five percent (45%) of the gross receipts (as hereinbefore defined) derived and actually collected from such burglar alarm business for service rendered during the twelve (12) months' period immediately proceding the date of the giving of such notice, plus forty-five percent (45%) of the annual gross receipts (as hereinbefore defined) derivable under new contracts with new subscribers or for additional burglar alarm service entered into between the end of said twelve (12) months' period and the date of such conveyance, to the extent only, however, that such new contracts will result in a net increase in the annual gross receipts (as hereinbefore defined) derivable under all the contracts for such service transferred at the date of such conveyance over those derived and actually collected during said twelve (12) months' period; provided, that the Messenger Company, or its said successors or assigns, shall, without any cost or expense to the Holmes Company, or its said nominee, complete the installation of the burglar alarm plant, equipment and property on the premises of all such subscribers, and turn the same over to the Holmes Company, or its said nominee, ready for service. In the event that at the date of such conveyance the Messenger Company, or its said successors or assigns, shall have received any prepayments under any contracts for burglar alarm service transferred to the Holmes Company, or its said nominee, for service after the date of such conveyance, the full amount of such prepayments shall be turned over to the Holmes Company, or its said nominee, except that the Messenger Company may retain 5% of such sums with respect to which payments have been made to the Holmes Company as provided in Article II, paragraph C. In the event that the Holmes Company, or its said nominee, collects any sums which grew due and payable for burglar alarm service rendered prior to the date of such conveyance under any contracts for burglar alarm service transferred to the Holmes Company, or its said nominee, it shall pay to the Messenger Company, or its said successors [fol. 1996] or assigns, the full amounts so collected, except that the Holmes Company may retain 5% of such sums with

respect to which the payments as provided in Article II, Paragraph C, have not already been paid to the Holmes Company.

Fourth: It is agreed that upon the consummation of the several acts provided for under section "Third" of this agreement, the Messenger Company, and/or its said successors or assigns, shall immediately discontinue the operation of burglar alarm service in the city or cities affected, under contract with the various subscribers thereto, and shall disconnect such service from its central operating station, and the Holmes Company, or its said nominee, shall thereupon forthwith assume and be responsible for the operation of said service and shall save the Messenger Company, its said successors or assigns, harmless from any and all obligations and liability arising out of the subsequent operation of said service.

Fifth: It is agreed between the parties, that inasmuch as the actual damages which might be suffered by the Holmes Company or its nominee or nominees by reason of the nonperformance by the Messenger Company and the District Company of the obligations assumed by them or either of them, or by their or either of their successors or assigns, by section "Third" hereof, are difficult of ascertainment, the said Messenger Company and the District Company, and their and each of their successors or assigns, jointly and severally agree to pay annually to the Holmes Company, its successors or assigns, during the continuance of such nonperformance as liquidated damages and not as a penalty for such nonperformance, a sum equal to fifty percent (50%) of the gross annual receipts (as hereinbefore defined) derived from such burglar alarm business under operation by the Messenger Company, or its said successors or assigns, during the continuance of such non-performance, computed for the period of non-performance; it is further agreed, however, that this specification of liquidated damage is not intended to and shall not be construed to in any way limit or [fol. 1997] waive the right of the Holmes Company, its successors or assigns, or its nominee or nominees, to any other recourse at law or in equity whether for specific performance or otherwise, except to limit the recovery of any damages to the amounts aforesaid.

Sixth: The aforesaid agreement of September 28, 1906,

shall, except as hereinbefore otherwise explicitly provided, remain in full force and effect.

Seventh: The provisions of this agreement shall apply to and bind and enure to the benefit of the successors and assigns of the respective parties hereto.

In Witness Whereof, the parties have executed this agreement under seal in triplicate, and have delivered the same on the day and year first written above.

Holmes Electric Protective Company, by H. F. Stevens, President.

Attest:

Wm. J. Farquhar, Secretary.

American District Telegraph Company (of New Jersey), by Edw. Everett, Vice President.

Attest:

E. A. Ward, Secretary.

American District Telegraph and Messenger Company, by Edw. Everett, Vice President..

Attest:

E. A. Ward, Secretary.

[fol. 1998] State of New York,
County of New York, ss.:

On this 12th day of July, 1922, before me personally came H. F. Stevens, to me known, who, being by me duly sworn, did depose and say that he resides in Greenwich, Conn.; that he is President of the Holmes Electric Protective Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Wm. J. Farquhar, Notary Public, County of Nassau, N. Y. County Register's No. 4054, Certificate filed in New York County No. 38.

STATE OF NEW YORK,
County of New York, ss.:

On this 14th day of June, 1922, before me personally came Edw. Everett, to me known, who, being by me duly sworn, did depose and say that he resides in New York City; that he is Vice-President of the American District Telegraph Company (of New Jersey), one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Walter Emerson, Notary Public, Kings Co. Clerk's No. 18, Kings Co. Register's No. 4054, Certificate filed N. Y. County, New York Co. Clerk's No. 40, New York Co. Register's No. 4041, Term Expires March 30, 1924.

[fol. 1999] STATE OF NEW YORK,
County of New York, ss.:

On this 14 day of June, 1922, before me personally came Edw. Everett, to me known, who, being by me duly sworn, did depose and say that he resides in New York City; that he is Vice-President of the American District Telegraph and Messenger Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Walter Emerson, Notary Public, Kings Co. Clerk's No. 18, Kings Co. Register's No. 4054, Certificate filed N. Y. County, New York Co. Clerk's No. 40, New York Co. Register's No. 4041, Term Expires March 30, 1924.

[fol. 2000] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 64

This Agreement, made this third day of March, 1927, between the Holmes Electric Protective Company, a corporation created under the laws of the State of New York (hereinafter called the Holmes Company), the American District Telegraph Company (of New Jersey), a corporation created under the laws of the State of New Jersey (hereinafter called the District Company), and the American District Telegraph and Messenger Company, a corporation created under the laws of the State of New Jersey (hereinafter called the Messenger Company):

Witnesseth:

Whereas, the Holmes Company and the District Company heretofore entered into an agreement in writing, bearing date the 28th day of September, 1906, a copy of which agreement is hereto annexed and made part hereof; and

Whereas, the Messenger Company is a constituent Company of the District Company and desires to, and the District Company desires to have the Messenger Company, engage in and conduct a burglar alarm business in the City of Trenton, in the State of New Jersey;

Now, Therefore, in consideration of the sum of one dollar ($1.00) paid by each of the parties hereto to the others, the receipt whereof is hereby acknowledged, and of the mutual covenants and agreements hereinafter contained, the parties hereto covenant and agree as follows:

First: The Holmes Company agrees and consents that the Messenger Company may engage in and conduct a burglar alarm business in the City of Trenton in the State of New Jersey, upon and subject to the terms and conditions hereinafter set forth.

Second: The District Company and the Messenger Company jointly and severally agree that so long as the Messenger Company, or its successors or assigns (other than the Holmes Company) operate burglar alarm business within the City of Trenton,

(a) The Messenger Company, or its said successors or assigns, shall maintain adequate and correct auditing and

accounting methods to permit the determination at any and all times of the gross receipts derived from the burglar alarm business in Trenton, and the Holmes Company shall have access to such books for the purpose of checking such receipts. The term "gross receipts" as used throughout this agreement shall include all receipts other than monies received for so-called installation fees, reconstruction, moving or change of equipment expenses.

(b) Such burglar alarm service shall be covered by contracts with the subscribers therefor providing for such service only and shall not be included in contracts providing for, nor include, any other service; and the Messenger Company, so far as it may legally do so, and subject to such changes as it may from time to time deem desirable to make, shall charge for burglar alarm service substantially at the rates from time to time advised in writing to the Holmes Company.

[fol. 2001] (c) The Messenger Company, or its said successors or assigns, shall pay to the Holmes Company on or before the 15th day of each month, a sum equal to five per cent (5%) of the gross receipts (as hereinbefore defined) derived or collected (irrespective of when the same became due and payable) from such burglar alarm business during the past calendar month. Such payments to the Holmes Company are, and are to be considered as, royalty payments, and nothing in this agreement shall be construed to mean that any of the Holmes Company's rights or privileges under the aforesaid agreement, dated September 28th, 1906 are waived or abrogated. If, for any reason, it becomes necessary or the Messenger Company is required, to refund to a subscriber any portion of the receipts as above specified, the Holmes Company shall not be entitled to participate under this clause in the amount so refunded, and in the event of the Messenger Company having paid to the Holmes Company said Company's participation in the amount so refunded to the subscriber, the Holmes Company shall refund the amount of such participation to the Messenger Company.

Third: The Holmes Company reserves, and the District Company and the Messenger Company hereby grant to the Holmes Company, the right either directly or thru a constituent Company or Companies, to take over and operate such burglar alarm business in the City of Trenton

at any time after ten years from the date of this agreement; and the Holmes Company further agrees that, in the event of its desire so to do it shall send notice thereof in writing to the Messenger Company at least three months in advance of the date on which such transfer is to be made. After receipt of such notice, the Messenger Company, or its successors or assigns, shall, and the District Company covenants and agrees that the Messenger Company, or its successors or assigns, will, on the appointed date, by proper and effectual deeds or instruments of conveyance delivered to the Holmes Company or its nominee or nominees, sell, assign, transfer and convey to the Holmes Company or its nominee or nominees, free from all obligations, judgments, liens, mortgages, taxes or encumbrances, all the Burglar Alarm plant, equipment or property of the Messenger Company and/or its successors or assigns, installed in the premises of subscribers to its and/or their burglar alarm service, together with good-will and subscribers' contracts (including all sums due or growing due thereunder from subscribers) for such burglar alarm service, owned, held and possessed, and used or operated by it and/or them in the city of Trenton as may be required by said notice, at a price equal to forty-five percent (45%) of the gross receipts (as hereinbefore defined) derived and actually collected from such burglar alarm business for service rendered during the twelve (12) months' period immediately preceding the date of the giving of such notice, plus forty-five percent (45%) of the annual gross receipts (as hereinbefore defined) derivable under new contracts with new subscribers or for additional burglar alarm service entered into between the end of said twelve (12) months' period and the date of such conveyance, to the extent only, however, that such new contracts will result in a net increase in the annual gross receipts (as hereinbefore defined) derivable under all the contracts for such service trans-[fol. 2002] ferred at the date of such conveyance over those derived and actually collected during said twelve (12) months' period; provided, that the Messenger Company, or its said successors or assigns, shall, without any cost or expense to the Holmes Company, or its said nominee, complete the installation of the burglar alarm plant, equipment and property on the premises of all such subscribers, and turn the same over to the Holmes Company, or its

said nominee, ready for service. In the event that at the date of such conveyance the Messenger Company, or its said successors or assigns, shall have received any prepayments under any contracts for burglar alarm service transferred to the Holmes Company, or its said nominee, for service after the date of such conveyance, the full amount of such prepayment shall be turned over to the Holmes Company, or its said nominee, except that the Messenger Company may retain 5% of such sums with respect to which payments have been made to the Holmes Company as provided in Article II, Paragraph C. In the event that the Holmes Company, or its said nominee, collects any sums which grew due and payable for burglar alarm service rendered prior to the date of such conveyance under any contracts for burglar alarm service transferred to the Holmes Company, or its said nominee, it shall pay to the Messenger Company, or its said successors or assigns, the full amount so collected, except that the Holmes Company may retain 5% of such sums with respect to which the payments as provided in Article II, Paragraph C, have not already been paid to the Holmes Company.

Fourth: It is agreed that upon the consummation of the several acts provided for under section "Third" of this agreement, the Messenger Company, and or its said successors or assigns, shall immediately discontinue the operation of burglar alarm service in the city or cities affected, under contract with the various subscribers thereto, and shall disconnect such service from its central operating station, and the Holmes Company, or its said nominee, shall thereupon forthwith assume and be responsible for the operation of said service and shall save the Messenger Company, its said successors or assigns, harmless from any and all obligations and liability arising out of the subsequent operation of said service.

Fifth: It is agreed between the parties, that inasmuch as the actual damages which might be suffered by the Holmes Company or its nominee or nominees by reason of the non-performance by the Messenger Company and the District Company of the obligations assumed by them or either of them, or by their or either of their successors or assigns, by section "Third" hereof, are difficult of ascertainment, the said Messenger Company and the District Company, and their and each of their successors or

assigns, jointly and severally agree to pay annually to the Holmes Company, its successors or assigns, during the continuance of such non-performance as liquidated damages and not as a penalty for such non-performance, a sum equal to fifty percent (50%) of the gross annual receipts (as hereinbefore defined) derived from such burglar alarm business under operation by the Messenger Company, or its said successors or assigns, during the continuance of such non-performance, computed for the period of non-performance; it is further agreed, however, that this specification of liquidated damage is not intended to and shall not be construed to in any way limit or waive the right of [fol. 2003] the Holmes Company, its successors or assigns, or its nominee or nominees, to any other recourse at law or in equity whether for specific performance or otherwise, except to limit the recovery of any damages to the amounts aforesaid.

Sixth: The aforesaid agreement of September 28th, 1906, shall, except as hereinbefore otherwise explicitly provided remain in full force and effect.

Seventh: The provisions of this agreement shall apply to and bind and enure to the benefit of the successors and assigns of the respective parties hereto.

In Witness Whereof, the parties have executed this agreement under seal in triplicate, and have delivered the same on the day and year first written above.

Holmes Electric Protective Company, By A. W. Allen, President.

Attest:

Wm. J. Farquhar, Secretary.

American District Telegraph Company (of New Jersey), By Edw. Everett, President.

Attest:

E. A. Ward, Secretary.

American District Telegraph and Messenger Company, By Edw. Everett, President.

Attest:

E. A. Ward, Secretary.

[fol. 2004] STATE OF NEW YORK,
County of New York, ss.:

On this 3rd day of March 1927, before me personally came Andrew W. Allen to me known, who, being by me duly sworn, did depose and say that he resides in New Jersey, that he is —— President of the Holmes Electric Protective Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

[Copy Illegible.]

STATE OF NEW YORK,
County of New York, ss.:

On this 3rd day of March 1927, before me personally came Edward Everett to me known, who, being by me duly sworn, did depose and say that he resides in New York City, that he is —— President of the American District Telegraph Company (of New Jersey), one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Walter Emerson, [Copy Illegible.]

STATE OF NEW YORK,
County of New York, ss.:

On this 3rd day of March 1927, before me personally came Edward Everett to me known, who, being by me duly sworn, did depose and say that he resides in New York City, that he is —— President of the American District Telegraph and Messenger Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed

by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Walter Emerson, Notary Public, Kings Co. Clerk's No. 37, Kings Co. Register's No. 8031, Certificate filed N. Y. County, New York Co. Clerk's No. 60, New York Co. Register's No. 8049, Term Expires March 30, 1928.

[fol. 2005] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 65

HOLMES ELECTRIC PROTECTIVE COMPANY
370 Seventh Avenue
New York, N.Y.

A. W. Allen
President

June 13, 1932.

Mr. C. C. Johnson, President,
American District Telegraph Company
155 Sixth Avenue, New York, N.Y.

Dear Mr. Johnson:

From time to time some of your people call us relative to furnishing burglar alarm service within our territory but not within our present central office areas. The most recent case was that of McKesson & Robbins in Newark and in Yonkers.

We have agreements with you for Paterson, Passaic, Camden, Trenton, and Long Island City. There was a proposed agreement for Newark which was never accepted by you. It seems to me that where we have no definite agreement covering any locality within our territory that it would be entirely reasonable and proper for you to reimburse us on the same basis as applies where we have definite agreements, such action on your part not to constitute a waiver or to prejudice in any way the rights of either party under the agreement of September 28, 1906.

Very truly yours, A. W. Allen, President.

AWA:HF

[fol. 2006] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 66

copies sent to Mr. Johnson
Mr. Husman
Mr. Sofge
Mr. MacDonald
file

July 8, 1932

Mr. A. W. Allen, President,
Holmes Electric Protective Co.,
370 Seventh Ave.,
New York, N. Y.

Dear Mr. Allen:

This is in reply to your letter of June 12, 1932.

You probably appreciate that we would not consider entering the competitive Burglar Alarm field in Newark during these times. We are keeping out of the Burglar Alarm business in Newark; McKesson & Robbins was an unusual case in that we are negotiating with them for Sprinkler Supervisory and Valve Alarm and Burglar Alarm service in all of their many plants throughout the country. They desire us to serve them in Newark and we thought it in the best interests of our Company and yours to so arrange.

We are willing to pay you 5% of the annual service rentals collected from subscribers for Burglar Alarm service rendered in Newark, N. J. and will do so. We believe Newark is the only place involved. As to Yonkers, we understood that you had no objection to our selling local Mercantile Burglar Alarm installations in territory that cannot be served from a Central Station.

Yours very truly, [C. C. Johnson], Stipulation No. 1.
President.

EE

[fol. 2007] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 67

January 31, 1924

Mr. H. F. Stevens, President,
Holmes Electric Protective Company,
139 Centre Street,
New York City.

Dear Sir:

Acting upon your verbal consent, we have undertaken the solicitation of burglar alarm business in the City of Camden, N. J., with the understanding that you will later either avail yourself of the rights to do a signal business other than burglar alarm in the City of Atlantic City, N. J. in trade for the Camden burglar alarm rights, or will accept the same arrangement for Camden as exists covering Paterson and Passaic. In order that any future misunderstanding may be precluded, will you kindly confirm our understanding as above set forth.

Very truly yours, C. C. Johnson, Vice President.

CCJ/CJF

As at 6/17/30 H.E.P. Co. were not operating in Atlantic City.

[fol. 2008] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 68

HOLMES ELECTRIC PROTECTIVE COMPANY
139 Centre Street
New York, N. Y.

H. F. Stevens
President

Feb. 4, 1924

American District Telegraph Company,
Mr. C. C. Johnson, Vice President,
183 Varick St., New York, N. Y.

Dear Sir:

I beg to acknowledge the receipt of your favor of January 31st, 1924, stating your understanding of the verbal arrangement with you relative to The American District Telegraph Company conducting a burglar alarm business in Camden, New Jersey, and to say that my understanding of the arrangement agrees with yours.

Very truly yours, H. F. Stevens, President.

[fol. 2009] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 69

Purchase Agreement

This Agreement, made and entered into the 25th day of March, 1930, by and between the Philadelphia Local Telegraph Company, a corporation of the State of Pennsylvania, hereinafter called the "Local Company", and the Holmes Electric Protective Company of Philadelphia, a corporation of the State of Pennsylvania, hereinafter called the "Holmes Company",

Witnesseth:

Whereas, the "Local Company" proposes to purchase all of the plant, equipment and other physical property of whatsoever kind and nature and wheresoever located, whether in the streets, in central stations, in subscribers'

premises or elsewhere, including wires, cables, tools, vehicles, instruments, apparatus, appliances, devices, materials and supplies, together with all the right, title and interest in, under and to all leases of wires, circuits and/or cables, rights of way, consents, permissions and licenses from private corporations, individuals and property owners, all franchises, patents, and licenses under patents, all cash on hand and in banks, choses in action, bills, claims, judgments, book and other accounts receivable from subscribers, patrons or others, and contracts with subscribers for service, of the Auxiliary Fire Alarm and Telegraph Company, upon the terms and conditions set forth in a proposed agreement for purchase to be executed by said Auxiliary Fire Alarm and Telegraph Company, and the "Local Company" a copy of which is hereto annexed and made a part hereof and marked "Exhibit A".

Now, Therefore, for and in consideration of the sum of One Dollar ($1.00) to each of the parties hereto paid by the other, the receipt whereof is hereby acknowledged, and of the mutual covenants and agreements hereinafter contained, the parties hereto mutually covenant and agree as follows:

First: The "Local Company" hereby agrees to sell, assign, transfer and set over unto the "Holmes Company", and the "Holmes Company" hereby agrees to purchase all [fol. 2010] of that part of the physical property mentioned and described in "Exhibit A" aforesaid which is in use in the furnishing of burglar alarm service, as and when the said property is acquired by the "Local Company" from the Auxiliary Fire Alarm and Telegraph Company, (but without warranty as to title) together with all subscribers' contracts for burglar alarm service, and all cash on hand and in banks and all physical property excluding that used exclusively in connection with the furnishing of night watch and fire alarm service.

Second: The "Local Company" hereby agrees to sell, assign, transfer and set over unto the "Holmes Company", or its nominee of nominees, and the "Holmes Company" hereby agrees to purchase all choses in action, bills, claims, judgments, book and other accounts receivable from subscribers, patrons or others which represent accounts receivable for burglar alarm, night watch and fire alarm service

rendered, as and when the said accounts receivable are acquired by the "Local Company" from the Auxiliary Fire Alarm and Telegraph Company but the "Local Company" does not in any manner guarantee or assume any responsibility for the aforesaid items.

Third: The "Holmes Company" shall and does hereby agree to pay to the "Local Company" the sum of One Hundred Sixty-One Thousand Six Hundred and Fifteen Dollars ($161,615) lawful money of the United States, simultaneously with the delivery by the "Local Company" to the "Holmes Company" of proper bill of sale, (without warranty as to title) duly executed, selling, assigning, transferring and setting over to the "Holmes Company" the property to be sold, assigned, transferred and set over in accordance herewith, which said sum is the full purchase price of the aforesaid property; and the "Local Company" hereby agrees and covenants to make delivery of such bill of sale simultaneously with said payment to it by the "Holmes Company" on the same day the said property is acquired by it from the Auxiliary Fire Alarm and Telegraph Company.

[fol. 2011] Fourth: The "Holmes Company" shall and does hereby agree to pay to the "Local Company", in addition to the purchase price, a sum equal to the total of all amounts collected by the Auxiliary Fire Alarm and Telegraph Company, prior to the date of purchase of its property and business by the "Local Company", for night watch and fire alarm service to be rendered subsequently to said date of purchase; the aforesaid payment to be paid to the "Local Company" by the "Holmes Company" within ten (10) days following the said date of purchase.

Fifth: The "Local Company" shall, prior to the date of transfer, furnish the "Holmes Company" with proper evidence that the execution of this agreement has been duly authorized by its stockholders and Board of Directors in accordance with the laws of the State of Pennsylvania.

In Witness Whereof, the parties hereto have caused their corporate names to be signed and their corporate seals to be hereunto affixed the day and year first above written.

Philadelphia Local Telegraph Company, By [Illegible] Vice Pres't.

Attest:

M. E. McGready, Secretary.

Holmes Electric Protective Company of Philadelphia, By A. W. Allen, President.

Attest:

Wm. J. Farquhar, Secretary.

[fol. 2012] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 70

June 13, 1956.

Mr. W. F. Burress, Vice Pres.
Holmes Electric Protective Company of Pittsburgh
521 Sixth Avenue
Pittsburgh 19, Pennsylvania

Re: Ford Motor Company,
Pittsburgh Parts Depot,
2001 Lebanon Church Road,
West Mifflin Borough, Pennsylvania

Dear Mr. Burress:

We have received approval from the Security Section of Ford Motor Company to render Central Station Burglary Protection Service at the subject location to be furnished by your company. The ADT Company will furnish Central Station Sprinkler Supervisory and Waterflow Alarm Service.

For your information and guidance in preparing an agreement form for your services, we are submitting a sample copy of the standard form used by the ADT Company for all Ford Motor Company locations. As you recall, we had a little difficulty in securing approval of your agreement form as prepared for General Motors locations; however, every effort will be made by this office to secure approval for your form by the Ford Motor Company Legal Staff.

For your information, we are submitting herewith a layout print showing the proposed Burglar Alarm and Photo

Electric protection which will consist primarily of contact only protection on the doors and one photo electric beam to be located approximately as shown on the print. We have quoted an advance charge of $2,420.00, and an annual charge of $1,974.90, which were based on ADT rates as follows:

Advance Charge	
33 BA units @ $40. each	$1,320.00
10 PE units @ $80. each	800.00
Excess	400.00
Total	$2,420.00

[fol. 2013] Annual Charge

1st BA unit	$ 248.00
42 units @ $19. each	798.00
3 extra control sets @ $45. each	135.00
	$1,181.00
Excess wire, based on a total wire cost of $912	793.90
Total	$1,974.90

It would be greatly appreciated if you would show on your agreement forms the advance and annual service charges as we have indicated, as it is necessary that we maintain a comparable price for all locations of the Ford Motor Company.

It will be necessary that you furnish us seven (7) copies of your agreement form and it would be greatly appreciated if you would submit same at your earliest convenience in order that we may negotiate your agreement and ADT agreement at the same time. The subscriber is very anxious that our services be started as soon as possible and we have tentatively assured the subscriber that the installation would be completed on or before October 1, 1956.

For your information, the Ford Motor Company does not require a daily opening and closing report to be submitted weekly to their Detroit Office as presently being furnished the Chevrolet Motor Division. It will be necessary, however, to furnish this report to their Pittsburgh Parts Depot for their information.

If there are any questions regarding our proposed layout, kindly contact the writer at your convenience.

Yours very truly, American District Telegraph Company, J. A. Summers, Sales Representative.

JAS:ay

Att.

CC—Mr. L. J. O'Brien, Mr. J. W. Spreadbury.

[fol. 2014] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 71

WASHINGTON, D. C.

March 31, 1959.

Confidential
Mr. L. J. O'Brien
General Sales Manager

Girard Trust Company, Philadelphia Area

This will confirm our telephone conversation regarding negotiations for Burglar Alarm service at 18 suburban locations of the subject bank. These branches are located at

Brummel	Flowerton
Drexel Hill	Fort Washington
Haverton	Wynnewood
Lawrence Park	Nazareth
Manoa	Pilgrim Gardens
Newton Square	→Bala—6910 Market Street
Clifton Heights	→69th Street & Market Street
Yeadon	→Drive-In Bank, 69th Street & Market Street
Ambler	→PTC Terminal Building, 69th & Market

All are outside of the City limits of Philadelphia and we propose to offer modified Central Station Service.

The last four locations listed are very close to the City Line. Three are in the 69th Street area where we have in

the past, before we started to render modified Burglar Alarm service out of our Philadelphia office, interposed no objection to service being sold by the Holmes Company. The location in Bala is on the City line but is on the County side of the street.

We are very definitely in competition with Robinson in this negotiation and are, for obvious reasons, anxious to handle the entire negotiation in a forceful and realistic manner. I have a close personal contact with Mr. Howard Brown, a member of the Board of Directors of this large banking institution. I plan to see Mr. Brown on Friday of this week in order that the top officials of the bank may have a complete and accurate report on the competitive company.

[fol. 2015] The Holmes Company representatives in Philadelphia have taken the position that we should be willing in this case, as we have in the past, to relinquish the business in the 69th Street and Market Street area beyond the City line. They also feel that since the Bala branch is on the City line that they are logically entitled to lay claim to it. They apparently chose to disregard the fact that it is actually located in Montgomery County.

I have advised Special Repr. May to inform the local representatives of the Holmes Company that we desire to negotiate for all locations, since they are all outside of the City of Philadelphia.

It is the primary purpose of this letter to request your support in my contention that if the City line is to be the boundary, then there should be no exceptions by either party except in those rare and unusual cases where, by prior mutual consent, a deviation to the rule is established. This statement may appear a little confusing until we recall that on a few occasions the Holmes people have turned over jobs to us in the City of Philadelphia which they considered undesirable, such as those containing outside photo electric service.

E. J. Heisley, District Sales Manager.

EJH/gb

[fol. 2016] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 72

June 16, 1930.

Mr. A. W. Allen, President
Holmes Electric Protective Company,
370—7th Avenue,
New York City.

Dear Mr. Allen:

This is in answer to your letter of June 3.

I understand the subscriber's lists have been checked over and that your people and ours have reached an agreement as to the book value of each equipment and consequently of the amount that is paid us for these systems. Your plan for taking over the systems as described in your letter of June 3 is satisfactory to us. We would suggest that you draft the kind of a letter you wish to have us write our burglar alarm subscribers and we will send it out over our signature.

We are unwilling to retain the four burglar alarm jobs you mention. My original understanding with you was that you would take over all the burglar alarm jobs and I think this is the only fair way to treat the matter. I find that we would have to keep additional help to render service to these four installations and I also find from investigation that while they are more troublesome than the average run of our subscribers, that it is possible to render a proper service with the installations as made. If your own Central Station installations would not work well on these systems, we will be willing to transfer four of our own Central Office sets for use on these systems. I, therefore, see no good reason why we should continue to operate these four contracts.

As to the apparatus you do not desire to keep and wish to turn back to us: I think we should handle this in the same manner as we do all of our discontinued apparatus. That is to say, we will allow you the cost price of the apparatus as shown by our price lists, less the cost of rehabilitating it for new jobs. This repair work will be in the neighborhood of about 50% of the value of the ap-

[fol. 2017] paratus. This would apply to our present type of subscriber's set. Part of the risks in Brooklyn are equipped with an obsolete type of subscribers terminal set which would have no value to us whatever. As to the Phonetalarm equipments, we will take those in at $100.00 each as heretofore suggested.

In connection with the Long Island City business: It is agreeable to us to continue to operate this service for a period of three years after which you may be privileged to buy it on the basis of book value at 16%, except that I think the 5% payment should start now rather than be retroactive from January 1.

I am attaching a revised list of subscribers representing the small changes made as the result of conference between Mr. Ward and Mr. Giblin, and including similar information for the four installations which you omitted from your list.

If you are agreeable to these exceptions to your letter of June 3 we are prepared to go thru with the matter as outlined by you.

Very truly yours, [C. C. Johnson], Stipulation No. 1,
President.

CCJ/CJF

[fol. 2018] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 73

May 12, 1953.

Mr. D. R. Hall
Commercial Superintendent
Ford Motor Company, Parts Warehouse, Pittsburgh, Pa.

I have discussed with Mr. Rustic the possibility of our rendering complete automatic services, including burglar alarm, to the new Ford plant which is located in a suburb of Pittsburgh. He advises me that Mr. Turner has carefully gone over the situation and we are unable at the present time to render complete service of a type that could be satisfactory to the Ford people. The plant is located 8.7 miles from the central office and as you know we only have

one guard available in the Pittsburgh central station since we do not service any burglar alarm subscribers.

Mr. Rustic advises that there is no objection to rendering sprinkler or fire alarm service and he has been given to understand by Mr. Spreadbury that the Holmes Company had been in on the original burglar alarm negotiation. Perhaps you can still interest the Ford people in our rendering the fire alarm service and the Holmes Company rendering the burglar alarm. While I appreciate that the Ford Company do not wish to split the service contract, nevertheless they would appear to receive better service from two companies who are experts in their particular line and fully equipped with the necessary manpower rather than have a single company who was not presently rendering all types of service in Pittsburgh. If we had a guard station within a reasonable distance we would be willing to take this complete automatic service, but under the circumstances it does not seem advisable for us, nor would the Ford Company be satisfied with anything but the best service.

A. E. Smith, General Commercial Manager.

AES:IV

cc: J. B. Bodley.

[fol. 2019] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 74

May 10, 1961.

Mr. Jay Misicka
American-Marietta Company
101 East Ontario Street
Chicago 11, Illinois

Stoner Mudge Company
Division of American-Marietta Co.
200 Westhall Street
Pittsburgh 33, Pennsylvania

Dear Mr. Misicka:

We surveyed the above location for ADT Central Station Fire Alarm, Burglar Alarm, and Heating Supervision. Our recommendations are as follows:

ADT Central Station Aero Automatic Fire Alarm Protection for your entire premises. The Aero Alarm will summon the Pittsburgh Fire Department as soon as a small fire breaks out, any time, day or night. The costs for complete ADT Aero Automatic Fire Alarm are:

$8140 To install
$2425.00 Annual service charge plus 8% Federal Excise Tax

For heating supervision we recommend safety shutdown supervision and room temperature supervision.

Costs for this protection are:

$300.00 To install
$160.00 Annual service charge plus 8% Federal Excise Tax

ADT does not furnish burglar alarm protection within the city of Pittsburgh. We requested the Holmes Electric Protective Company, an affiliate of ADT, to make a survey for central station burglar alarm protection. Their recommendations and costs are as follows:

Main Plant	Warehouse
5 Doors—contacts	5 Doors—contacts
2 Overhead Doors—contacts	9 Sliding Doors—contacts
2 Pair Sliding Doors—contacts	1 Overhead door—contracts

Office and Laboratory

5 Doors—contacts

[fol. 2020] Numerous small buildings were not considered. Costs are as follows:

$1704.00 To install
$1562.00 Annual service charge plus 8% Federal Excise Tax

Total costs for ADT fire alarm and heating supervision are:

$8440.00 To install
$2585.00 Annual service charge plus 8% Federal Excise Tax

Total costs for ADT fire alarm and heating supervision and Holmes burglar alarm are:

$10,144.00 To install
$4,147.00 Annual service charge plus 8% Federal Excise Tax

The enclosed contracts cover the proposed fire alarm and heating supervision. If this meets with your approval, please sign and return four copies. Two approved copies will be returned to you. We will secure contracts from Holmes Electric Protective Company to cover the burglar alarm and forward these contracts to you.

Sincerely, E. G. Dowling, Sales Representative.

EGD:enl

Enclosure

[fol. 2021] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 75

June 28, 1939.

Mr. C. C. Johnson, President,
American District Telegraph Company,
155 Sixth Avenue, New York, N.Y.

Dear Mr. Johnson:

I am enclosing herewith a map of the Borough of Queens, New York City, on which has been indicated a new boundary of our operating territory to become effective as of July 1, 1939.

Our district is at present bounded by the Brooklyn-Queens Borough line, and the additional territory which we plan to take over lies between this line and the new outer boundary indicated by the heavy blue line to the right. Inasmuch as the boundary in general follows main thoroughfares, it should also be understood that our territory will extend to the far side of the bounding street, and we would appreciate your instructing your people, effective as of July 1, 1939, not to write any new burglar alarm business within the new limits.

Your very truly, [A. W. Allen], Stipulation No. 1,
President.

Enc.

Mr. Mahoney has duplicate copy of this letter and duplicate of map referred to therein.

[fol. 2022] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 76

AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Offices, 155 Sixth Ave.

New York, July 11, 1939.

Mr. A. W. Allen, President
Holmes Electric Protective Company
370 Seventh Avenue
New York City

Dear Mr. Allen:

We have studied and understand the map of the Boro of Queens, New York City, enclosed with your letter of June 28 and have instructed our people as requested effective as of July 1, 1939, not to write any new Burglar Alarm business within the new limits shown on the map.

Very truly yours, (signed) C. C. Johnson, President.

CCJ/CJF

Original letter to: Mr. Ward; Mr. Mahoney.

File

(Signed) A.W.A.
7-12-39

[fol. 2023] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 77

October 31, 1957.

Mr. L. E. Burke
Property Manager
Sears, Roebuck and Co.
P. O. Box 6742
Philadelphia 32, Penna.

Re: Sears, Roebuck and Co.
6825 Greenway Avenue

Dear Mr. Burke:

At your request we surveyed the above premises for burglar alarm protection and sprinkler supervisory service. Contracts for these services would be with Holmes Electric Protective Company for the burglar alarm service and sprinkler supervisory service with the Automatic Fire Alarm Company. Should these prices meet with your approval, I would be most happy to arrange to expedite the installation of these services and secure the contract forms for your approval.

Supervision of the Automatic Sprinkler System, one (1) wet alarm valve, plus the installation of supervision on main control valve including the installation of one (1) Manual Fire Alarm Box, all connected to the ADT Central Station for supervision. The installation cost would be $430.00 with an Annual Service Charge of $531.00.

Installation of photo-electric beams along the large bay of windows in the warehouse area will be provided by the Holmes Electric Protective Company plus installation of contacts on all doors leading into the premises. In the front office area of this premises, burglar alarm protection will be provided on all windows, which are of the sash type. All of the above protection to be connected to the Holmes Electric Central Station for supervision and guard response. Cost of installation would be $1210.00 plus a monthly service charge of $58.00.

All prices quoted are subject to an 8% Federal Excise Tax.

If this office can be of further assistance to you, please do not hesitate to call upon us.

Very truly yours, Harry E. May, Special Representative.

HEM:J

[fol. 2024] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 78

Agreement between Robert L. McElroy and American District Telegraph Company (N. J.) Dated February 18, 1904.

[fol. 2025] This Contract, in duplicate, made and entered into the 18th day of February, 1904, by and between Robert L. McElroy, of the City of Chicago and State of Illinois, party of the first part, and the American District Telegraph Company, a corporation of New Jersey, party of the second part, hereinafter known as the District Company, Witnesseth:

That, Whereas the said McElroy has jointly with others, applied for certain patents for certain electrical automatic and manual fire alarm and sprinkling valve signalling devices, and claims to control the issuance of patents upon various devices now pending in the patent office, which said appliances the said McElroy is desirous of operating throughout the United States; and

Whereas, for the proper and successful operation of such appliances and devices, the said McElroy is desirous of availing himself of the established and organized district telegraph system of the party of the second part;

Now, Therefore, in consideration of the mutual covenants of the parties hereinafter set forth, they agree as follows:

First. The said McElroy agrees that the patents, when issued, upon any and all of the devices, appliances, and improvements now pending in the patent office at Washington on the application of himself, James G. Nolan, John E. Shepherd and one Hewett, whether any such application is made jointly in the names of two or more of the aforesaid, or by any one of them, shall and will hereafter during the

lives of said patents be controlled by him, the said McElroy, insofar as such control may be necessary to carry out his promises and covenants to and with the said party of the second part hereinafter set forth.

The numbers of the applications, and of the patents when and as often as issued, shall be attached to this contract as part thereof for more particular description of the devices above contemplated.

Second. The said McElroy further promises and agrees that, if or when hereafter he shall transfer to any company or corporation now formed or hereafter to be formed the [fol. 2026] control of the above-described electrical devices and inventions and the patents issued thereon, or any of them, such company or corporation shall ratify and adopt the terms of this contract and be bound thereby in all respects as is the said McElroy.

Third. The said McElroy further agrees that upon the signing of these presents he will at once place competent canvassers in the field to solicit subscribers to the service of all the above-mentioned devices in the various cities of the United States at rates for service no less than the minimum rates hereinafter specified; and will forthwith furnish to the said District Company, party of the second part, a copy of every contract for service obtained.

Fourth. The said McElroy, party of the first part, agrees that for any automatic fire alarm equipment he will not accept any service at any rate that will produce less than $200 a year gross rental where the ceiling area to be covered is sixty thousand square feet, and that any rates to be named by him shall be proportioned on not less than this basis; except, however, that when owing to competition it shall be necessary or desirable to lower the rates the said McElroy shall have the right to do so, provided the District Company assents. In the event that the District Company shall not assent to any proposed service contract less than the amount stated, the said McElroy has the right, by installing at his own cost the entire equipment, including that portion of the equipment which the District Company as hereinafter provided would otherwise pay for, to accept any service contract secured, and the District Company agrees that it will perform the service called for by such contracts for the sum of twenty-five per cent of the gross

rentals thereunder, reserving to itself the option, however, at any time within three years from the date of completion of said contract to reimburse the said McElroy for the extra expenditure made by him and bring the particular service within the terms of this contract.

[fol. 2027] For any sprinkler supervision equipment the said McElroy agrees that he will not take any service where the payment of its proportion of two yearly rentals each in advance shall fail to reimburse the District Company for its necessary cost in installing the same as hereinafter provided and, moreover, give to the District Company in excess of such reimbursement twenty-five per cent of one year's gross rental.

Fifth. The said McElroy further agrees to have manufactured at his own cost all the devices and apparatus forming the subject-matter of this contract and to furnish and deliver at the warehouses of the District Company as called for such appliances complete, made of first-class material and representing first-class workmanship and in good working order, without cost or charge to the District Company.

Sixth. Said McElroy further agrees that all contracts with subscribers for any service contemplated by this contract shall be in the name of the said McElroy, and that the District Company shall in no event and under no circumstances be considered as under any contractual obligations with any such subscribers, but that its sole obligations is and shall be to the said McElroy.

Seventh. And it is expressly covenanted and agreed by the said McElroy that in no event and under no circumstances shall he at any time claim any damages or liability, either directly or by way of set-off, counter-claim, recoupment, or in any other wise, against the said District Company, party of the first part, for any fault or negligence on the part of the said District Company, or any of its agents or employes, in its operation of any of the electrical devices in this contract specified.

Eighth. The said McElroy agrees that all soliciting for subscribers under this contract shall be done by him or through his procurement, and at his proper charge and expense.

Ninth. The said McElroy further covenants and agrees that any defects in any of the devices or apparatus specified

in this contract which use may discover or develop, and any [fol. 2028] and all improvements which may from time to time be made in any of said devices, shall be remedied and made at the cost of the said McElroy. And any patents for future inventions or improvements for electrical fire alarm devices of any kind made by the said McElroy, or controlled by him, or in which he may be interested, shall be governed by the terms of this contract to the extent of the interest of the said McElroy therein.

Tenth. It is further agreed by the said McElroy that all extraordinary repairs to any of the apparatus specified in this contract, which shall involve the removal of such apparatus to a machine shop, shall be made at the cost of the said McElroy; that is to say, such apparatus shall when necessary be removed by the party of the second part and forwarded to the said McElroy as he may direct and at his charge either to be repaired or exchanged for new apparatus; but the carriage charges for such new apparatus shall be paid by the District Company.

Eleventh. The said McElroy further agrees that any and every franchise, which by contract or ordinance he may obtain in any city of the United States wherein shall be granted the right to him, or any company or corporation controlled by him, and his or their successors and assigns, to construct lines of wire in the streets of the municipality for the purpose of operating any electrical signalling devices, except telephone, shall be assigned and transferred forthwith by the said McElroy, or any company or corporation controlled by him, to the said District Company, party of the second part.

Twelfth. The District Company, on its part, agrees that, so far is it legally may, it will erect wires from its central office in each city of the United States where it may have an office to such building or buildings as may be secured by the said McElroy for fire alarm and sprinkler supervision service and to connect its wires with the transmission boxes and thermostats of the said McElroy and to keep and maintain said wires intact and in constant working order, barring only such casual disturbances as may occur from time to time.

[fol. 2029] Thirteenth. The said District Company agrees that should it be unable to continue service in any city where

undertaken for want of legal right to maintain its wires in said city, it will reimburse the said McElroy from any rental received, so that the said McElroy shall in any event have full gross rental for one year.

Fourteenth. The said District Company further agrees to equip its central office in each city where it operates with the proper receiving instruments for the receipt of fire and other signals from said McElroy's apparatus and will keep and maintain the same in first-class working condition, and will, where permitted, connect its central office with the Fire Department, Insurance Patrol and such other place or places as may be required by the Board of Fire Underwriters of said city by special wires or telephones, and will transmit to said Fire Department and other places any and all fire and other signals received from the apparatus employed by said McElroy.

Fifteenth. The said District Company further agrees to maintain and operate all of the service secured by said McElroy in accordance with the rules and regulations of the National Board of Underwriters as may from time to time be adopted by them.

Sixteenth. The said District Company further agrees to install at its own cost the electrical signalling devices of the said McElroy in any building or buildings covered by any contract between said McElroy and any of his subscribers, making all necessary wire connections between such apparatus and the central office, including the inside wiring, and at the termination of each service contract to remove the equipment and store the devices until needed for the equipment of some other building.

Seventeenth. The said District Company further agrees to operate and maintain said apparatus, making such ordinary repairs thereto as may be necessary to preserve the same in first-class working order.

Eighteenth. The said District Company further agrees that it will make such changes and alterations in the equip- [fol. 2030] ment of any building as may from time to time be made necessary by changes and alterations in the building; provided, however, that there shall be a clause in every agreement entered into by the said McElroy and all of his patrons requiring said patrons to pay to said McElroy the cost of readjusting apparatus made necessary by any alter-

ation in the building itself. And it is mutually agreed and understood by the parties hereto that the sums so collected shall be and become the property of the District Company out of which, however, the said District Company shall pay to the said McElroy the cost to him of any additional apparatus made necessary by such change.

Nineteenth. It is further agreed by and between the parties hereto that the said McElroy may make arrangements with any other person, company or corporation in any city where said District Company is not able to operate and perform the services contemplated by these articles of agreement; provided that the District Company shall have one year from date of written notice in which to cover the territory.

Twentieth. It is further agreed by and between the parties hereto that during the life of this contract neither party, except as herein otherwise expressly provided, shall make any contract or agreement with any other person, company or corporation for the furnishing of similar apparatus or the performance of similar services contemplated by these articles of agreement, except written consent be thereunto given by the other party, and except in cases where either party may be legally forced as public servants, or common carriers, or otherwise, to furnish apparatus or perform services for another.

Twenty-first. It is mutually agreed that there shall be excepted from this agreement services for which the said District Company has already contracted. And it is hereby agreed that such contracts now outstanding and existing shall not be extended nor renewed, except upon terms satisfactory to said party of the first part.

Twenty-second. It is mutually understood and agreed by [fol. 2031] and between the parties hereto that during the term of this agreement neither party shall enter the field of the other, and that each shall lend to the other reasonable aid looking toward the upbuilding and growth of the respective interests of the parties.

Twenty-third. It is mutually understood and agreed by the parties hereto that this agreement, and all of its covenants, shall extend to and be binding upon all persons and companies now controlled or hereafter to be controlled by them or either of them.

Twenty-fourth. It is further agreed by and between the parties hereto that should any device similar to those herein specified be invented or patented and adopted by any board of underwriters, rating associations, or recognized individual raters of fire risks, and a greater allowance in the percentum of rate of fire insurance for such contrivance is made by such underwriters, rating associations, etc., covering any territory and the allowance thereto made for the apparatus and devices of the said McElroy shall be exceeded, then and in that case the District Company, at its election, shall have the right to terminate this contract, in such territory, so far as it relates to new business, upon written notice, provided that such cancellation shall not terminate any service contracts at the time in existence, and provided further that the said McElroy shall have one year from the service of such written notice in which to acquire the rights to use the improved and approved devices, the District Company hereby agreeing to render all reasonable aid and assistance in the acquirement of such rights, and in the event that the said McElroy shall, within one year, acquire the rights to use such improved and approved devices, the written notice of cancellation to be thereupon null and void.

Twenty-fifth. It is mutually agreed and understood that the District Company shall collect from the subscribers of the said McElroy all of the rentals, charges and sums of money which the said subscribers under their contracts with the said McElroy have promised and agreed to pay for the use and operation of the electrical devices covered by this contract, and that it will keep just and accurate account of [fol. 2032] all moneys so collected; and the District Company agrees that it will remit and pay to the said McElroy on the tenth day of each month forty-five per cent of the gross rentals it shall have collected under this contract for the calendar month next preceding; provided, however, that the gross rentals for the first year of each service contract shall be equally divided between the parties to this contract.

Twenty-sixth. Separate accounts of all service contracts and rentals collected or accruing thereunder shall be kept by each of the parties hereto, which accounts shall be open at all times to inspection and audit by either of the parties.

Twenty-seventh. If and whenever a service contract between the said McElroy and a subscriber for the services contemplated by this contract shall provide for the payment by said subscribers of an amount in addition to the yearly rentals reserved in said contract to cover or partly cover the cost of installation, then and in such case such extra amount or installation fee shall be divided between the parties hereto in the proportion that the cost of the apparatus and devices furnished by the party of the first part shall bear to the cost of the material and labor furnished by the party of the second part; any excess over and above the aggregate cost being equally divided between the parties.

Twenty-eighth. It is mutually agreed that this contract shall be in force from the date first above written for the full period of fifty years, and shall continue after the close of said term until the expiration of one year after written notice shall have been given at the close of said term by either party to the other of an intention to terminate the same; provided, however, that in case such notice be not given by either party at the close of said term, then this agreement shall continue in force for further periods of five years each, subject to termination by either party at the close of any such further five-year period on written notice, [fol. 2033] to be given one year before the close of any such period.

In Witness Whereof, the parties hereto have set their hands and seals the day and year first above written; the District Company, by the hand of its President, attested by its Secretary, being thereunto authorized by its Executive Committee.

Witness:

Henry D. Estabrook (Sgd.)

Robert L. McElroy (sgd.) (Seal.), American District Telegraph Company (of New Jersey), By Robert C. Clowry (Sgd.), President.

G. R. Johnston (Sgd.), Secretary.

[fol. 2034] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 79

Agreement between Robert L. McElroy and Automatic Fire Protection Company (Me.)

Dated April 21, 1905.

[fol. 2035] This Agreement, made this Twenty-first day of April, A. D. 1905, by and between Robert L. McElroy, of Chicago, Illinois, party of the first part, and Automatic Fire Protection Company, a Corporation organized under the laws of Maine, party of the second part, Witnesseth:

That Whereas, said Robert L. McElroy made and entered into a contract with the American District Telegraph Company, a Corporation organized under the laws of New Jersey, dated February 19th, A. D. 1904, and modified by a supplemental agreement between said parties dated March 30th, 1905,

Now, Therefore, in consideration of One ($1.00) Dollar and other good and valuable considerations, in hand paid, receipt of which is hereby acknowledged by said party of the first part, said party of the first part hereby grants, bargains, sells, assigns and sets over to said Automatic Fire Protection Company, party of the second part, all of his right, title, interest, claim and demand, both at law and in equity, in and to said contract as modified as aforesaid, for the full unexpired term thereof.

In consideration of said assignment, said Automatic Fire Protection Company hereby ratifies and adopts the terms of said contract, as modified as aforesaid, and hereby assumes and undertakes to perform all and singular the covenants and agreements of said contract as modified as aforesaid by said McElroy to be performed, and hereby acknowledges itself bound in and by said contract as modified as aforesaid, in all respects as is the said McElroy; and in further consideration of the premises, said Automatic Fire Protection Company hereby undertakes and agrees to indemnify and save harmless said McElroy from all and singular the covenants of said contract.

In Witness Whereof, the parties hereto have hereunto set their hands and seals, the day and year first above written.

(Seal.)

Robt. L. McElroy, (Seal), Automatic Fire Protection Co., By Robt. L. McElroy Prest.

Attest:

Azel F. Hatch, Secretary.

A true copy of the original in my hands.

Azel F. Hatch, Secretary (Sgd.)

[fol. 2036] In the United States District Court

Government Exhibit No. 80-A

Contract between General Fire Extinguisher Company, Automatic Fire Protection Company, and American District Telegraph Company

Dated April 29, 1907

[fol. 2037] This Agreement, made and entered into this 29th day of April 1907, by and between General Fire Extinguisher Company, a corporation duly organized and existing under the laws of the State of New York, party of the first part, hereinafter called the "General Fire", Automatic Fire Protection Company, a corporation duly organized and existing under the laws of the State of Maine, party of the second part, hereinafter called the "Maine Company", and the American District Telegraph Company, a corporation duly organized and existing under the laws of the State of New Jersey, party of the third part, hereinafter called the "District Company;"

Witnesseth:

Whereas, the "General Fire" is the owner of certain patents, patent rights, and licenses giving to the right

and license to make, use, sell, lease and install certain sprinkler heads and other fire extinguishing devices and apparatus, and is engaged in the business of making and installing sprinkler plants and systems; a list of said patents, patent rights and patent licenses is to be furnished under affidavit to the other parties hereto; and

Whereas; the "Maine Company" owns certain patents, patent rights and licenses for central station sprinkler supervisory and valve alarm devices; a list of said patents, patent rights and patent licenses, is to be furnished under affidavit to the other parties hereto; and

Whereas, the "District Company" and the "Maine Company" have certain contracts with each other, being the contracts dated respectively February 18th, 1904, and March 30th, 1905, copies whereof are hereto annexed, and the several contracts therein mentioned (the said contracts having been made by the said American District Telegraph Company with one Robert L. McElroy, and thereafter with the consent of the said American District Telegraph Company assigned by the said Robert L. McElroy to the "Maine Company"), whereby the "Maine Company" agrees to manufacture or cause to be manufactured, and to deliver certain devices, apparatus, equipment and appliances, and the "District Company" agrees to install, [fol. 2038] operate and maintain such devices, equipment and appliances, and collect the rental therefor, upon all leases and service contracts for the use and operation thereof under certain terms and conditions mentioned therein; and

Whereas, the parties hereto desire to contract with each other, so that they shall work together in central station sprinkler supervisory and valve alarm service in all sprinkler plants and systems in and throughout the United States of America, whether sprinkler plants and systems presently constructed or to be constructed, except as hereinafter provided;

Now, Therefore, in consideration of One Dollar, lawful money of the United States of America, by each of the parties hereto to the other in hand paid, and in consideration of the premises and of the mutual covenants and condi-

tions hereof, the parties hereto, each for itself and not for any of the others, have agreed together as follows:

First: That the provisions of this agreement shall take effect upon the date hereof, and shall continue in force until the 18th day of February, 1954, and shall apply throughout the United States,

Second: That the "General Fire" shall manufacture and install, or cause to be manufactured and installed, complete, in a thorough and workmanlike manner, and in accordance with the requirements of insurance interests having jurisdiction, and at its own cost and expense, and without any cost, expense or charges of any kind or nature to any of the other parties to this agreement, all of the following actuating sprinkler supervisory and valve alarm devices and attachments, to wit:

The water flow signalling devices, the water level signalling devices, the shut-off signalling devices, the temperature signalling devices, and the pressure signalling devices, and such other actuating devices and testing apparatus as may be from time to time demanded under said insurance requirements, and as may be necessary to be attached to sprinkler equipment so that the same shall be ready for wiring and attachment of the transmitting devices under all contracts for new or additional central [fol. 2039] station sprinkler supervisory and valve alarm service.

Third: That the "Maine Company" shall manufacture and provide, or cause to be manufactured and provided, through itself or through subsidiary companies, but at its own cost and expense, and without any cost, expense or charges of any kind or nature, to any of the other parties to this agreement, all central station sprinkler supervisory and valve alarm devices, save those furnished by the "General Fire" under the paragraph immediately preceding, the devices so to be furnished by the "Maine Company" being all of the required transmission boxes.

Fourth: That the "District Company" shall install the transmission boxes and shall properly connect the same by circuits to the attachments installed by the "General Fire" and to the receiving instruments in the central offices or stations of the "District Company", and shall furnish

the necessary central office equipment, circuits and conduits therefor, and shall provide central office service, and shall operate and maintain the same in good condition and repair, and all as may be from time to time required by insurance interests having jurisdiction.

It is mutually understood and agreed that any repairs made necessary because of defective material, poor workmanship, or improper assembling of the devices, furnished or done by the "General Fire" or by the "Maine Company" shall be repaired by them respectively, at their own cost and expense, and that all repairs made necessary because of neglect of the servants of the "District Company" to properly maintain the said devices, shall be made at the expense and cost of the "District Company". Should any of the devices or equipments furnished by any of the parties hereto, as herein provided, be damaged or destroyed or become unserviceable or defective by collapsing or falling buildings, or by fire or earthquake, then, in such case the same shall be restored by the parties hereto respectively, in the same manner, and to the same extent as the original equipment, at their own cost and expense respectively.

As to all other repairs and renewals, the "General Fire" and the "Maine Company" shall each furnish to the "District Company" in such cities as the latter may designate, [fol. 2040] and when called upon so to do their respective devices or equipments to be used in such other repairs or renewals, provided, however, that such devices and equipments so to be furnished, shall not exceed in cost to the "General Fire" and the "Maine Company" respectively, the aggregate sum for any ten years during the term of this contract of one thousand ($1,000.) Dollars each, or an aggregate sum for the entire fifty (50) years term of this contract of five thousand ($5,000.) Dollars each.

The "General Fire" and the "Maine Company" respectively agree to sell to the "District Company" any additional devices from time to time needed by it in maintenance and repair, at cost price, as such cost price is shown by the books of account of the respective companies.

Specifications for the manufacture of all devices to be installed under this agreement are to be approved by the "District Company".

The "District Company" shall collect all collectible rentals and charges, and on the 10th day of each calendar month shall pay over to the "Maine Company" and to the "General Fire" to each one of them, one-quarter of all the rentals and charges, and on the 10th day of each calendar calendar month, being one-half in all, for services where the installations shall have been made under the terms of and by the parties to this contract without any reduction therefrom of any kind or nature for commissions, expenses, or otherwise; the remaining one-half thereof to be retained by the "District Company" as and in full compensation for the material, work, labor and services furnished and performed or to be furnished and performed by it.

Fifth: It is nevertheless provided that the "District Company" shall have the option of declining to construct any circuits for or to make any installations, unless its portion of the aggregate average gross rentals therefrom for two (2) years on a five years' contract, payable yearly in advance, shall at least equal the cost of such circuits and installations, plus one-quarter of one year's average gross rentals; but in case of such declination, the other companies, [fol. 2041] parties hereto, shall have the right, by installing at their sole cost and expense, the entire equipment, except the outside wires, to accept any such service contract secured, so declined by the "District Company", in which case the "District Company" where it portion of the aggregate average gross rentals therefrom for two (2) years on a five (5) years' contract, payable yearly, in advance, shall at least equal the cost of the circuits plus one-quarter of one (1) year's average gross rentals, furnish the outside circuits and connect the same with the transmission boxes, and perform the operation and maintenance service called for by all such service contracts, for the sum of thirty-three and one-third per cent (33⅓%) of the gross rentals thereunder, and pay over to the "General Fire" and "Maine Company" at the time and in the manner aforesaid, share and share alike, two-thirds instead of one-half of the gross rentals and charges collected; the "District Company" reserving to itself the option at any time within three years from the date of complete installation of any such service contract to reimburse the other companies for the extra expenditure made by them, and thereupon to

bring such particular service within the provisions of this contract in all respects.

Sixth: That duplicate originals, or certified copies thereof, of all future contracts for installation, rental and service, shall be filed with the "District Company", the "Maine Company" and the "General Fire".

Seventh: That separate books of account of the business of central station sprinkler supervisory and valve alarm service installed under the terms of this agreement shall be kept by the "District Company" and "Maine Company", which books of account shall state in detail all of the receipts relating to the said business, to which books of account the companies parties hereto shall at all times have access.

Eighth: That no joint service contract including supervisory and valve alarm service with any other form of service shall be accepted until the same is approved by the "General Fire" and the District Company", except as hereinafter provided, such contracts may be taken in connection with the Phoenix Fire Extinguisher Company [fol. 2042] by reason of any rights of the Phoenix Fire Extinguisher Company existing under certain writings dated March 8th, 1906, between the Automatic Fire Protection Company (of Delaware) or the "Maine Company" and the said Phoenix Fire Extinguisher Company.

Nothing in this paragraph is to be construed, however, as a recognition, either by the "General Fire" or the "District Company", of any claim or right of the said Phoenix Fire Extinguisher Company by reason of said writings or otherwise.

Ninth: It is mutually understood and agreed by and between the parties hereto that during the term of this agreement each party hereto shall lend to the other reasonable aid looking toward the upbuilding and growth of the respective interests of the parties.

It is further mutually understood and agreed by the parties hereto that this agreement and all its covenants shall extend to and be binding upon all companies now controlled or hereafter to be controlled by them or any of them.

Tenth: That notwithstanding anything herein contained to the contrary, the "General Fire" shall not be hindered

or prevented from extending its rights, under this contract, to any other sprinkler company providing such extension shall not increase the burden of either the "Maine" or the "District Company", parties hereto, it being understood that such arrangements as may from time to time be made by the "General Fire" with other sprinkler companies, shall not involve any payments to such sprinkler companies by either the "Maine Company" or the "District Company", but that the "District Company" shall collect all collectible rentals and charges for such service installed for such other sprinkler companies, and pay directly to the "General Fire" such proportion of such rentals or charges as it, the "General Fire", would have received if it had itself done the work under the provisions of this agreement and thereupon the "General Fire" will make settlements directly with such other sprinkler companies for their share thereof.

[fol. 2043] Eleventh: That in all bids or proposals for central station sprinkler supervisory and valve alarm service in connection with new sprinkler installation, the "Maine Company" may contract for the same in connection with the equipment of any other sprinkler company, upon condition, nevertheless, that all of such contracts, before they can become effective, shall be submitted to and approved by the "General Fire," except such contracts as the Automatic Fire Protective Company (of Delaware) may be obliged to make under its said writings dated March 8th, 1906, with the Phoenix Fire Extinguisher Company, hereinbefore mentioned.

Twelfth: This this agreement does not apply to the present existing service contracts of the "Maine Company," or of any of its subsidiary companies, or to any renewals thereof.

Thirteenth: That the fulfillment of this contract on the part of the "Maine Company," or the "District Company" shall be either through itself or through subsidiary companies, the "Maine Company" and the "District Company" agreeing to guarantee and be liable to the other parties hereto for all the acts of their respective subsidiary companies.

Fourteenth: That this agreement on the part of the "Maine Company" is subject to any rights now existing to a corporation known as the Phoenix Fire Extinguisher

Company of New Jersey against the "Maine Company" or the Automatic Fire Protection Company, a Delaware corporation, under the aforesaid writings between the said Phoenix Fire Extinguisher Company and the "Maine Company" and the said Delaware Company, dated March 8th, 1906; but it is expressly understood between the parties hereto that nothing in this agreement shall be construed as a recognition, either by the "General Fire" or the "District Companies" that any rights exist to the said Phoenix Fire Extinguisher Company, whether against the "Maine Company" or the said Automatic Fire Protection Company (of Delaware), or against any other person or corporation, by virtue of said writings or otherwise; but it is also understood that if any rights exist to the said Phoenix Fire Extinguisher Company by virtue of said writings, either against the "Maine Company" or the said Automatic Fire [fol. 2044] Protection Company (of Delaware), this contract shall not be construed so as to prevent either the "Maine Company" or the said Automatic Fire Protection Company (of Delaware) from fulfilling its obligations under said writings.

Fifteenth: It Is Further Agreed that all rentals received by the "District Company" from service contracts made under the said writings between the Phoenix Fire Extinguisher Company and the said Automatic Fire Protection Company (of Delaware), shall be divided between the parties hereto in the same proportion as the rentals provided for under this contract, that is to say, one-half thereof to the "District Company," one-quarter thereof to the "General Fire," one-quarter thereof to the "Maine Company," and the "General Fire" shall pay over to the "Maine Company" on semi-rental contracts (so-called) one-half of the share of the said Phoenix Fire Extinguisher Company as said share is stated in the said writings.

Sixteenth: In consideration of the making of this contract upon the part of the "Maine Company" the "General Fire" agrees upon the execution and delivery hereof to pay to the "Maine Company," to be used by it as working capital, the sum of Eighty-five Thousand ($85,000.) Dollars, and one of the Directors of the "General Fire" shall be a Director of the "Maine Company" acceptable to it.

Seventeenth: It Is Further Agreed that in case of default on the part of the "Maine Company" in any of the condi-

tions or covenants of this agreement on its part to be performed, and provided there be no default on the part of the "General Fire," or if the "Maine Company" is prevented from fulfilling the conditions and covenants of this agreement upon its part to be performed by a judgment or decree of a court of competent jurisdiction, then and in that case the "General Fire" shall have the right, upon giving three months' written notice, to cancel this agreement and require re-payment to it from the "Maine Company" of, and the "Maine Company" in that case agrees to repay to the "General Fire" the aforesaid Eighty-five Thousand ($85,000.) Dollars.

And further, if there be any default on the part of the "General Fire" in any of the conditions or covenants of this agreement on its part to be performed, and provided [fol. 2045] there be no default upon the part of the "Maine Company," then the "Maine Company" shall have the right, upon giving three months' written notice, to cancel this agreement, without any right on the part of the "General Fire" to any reimbursement on account of the Eighty-five Thousand ($85,000.) Dollars contributed as aforesaid.

Eighteenth: This agreement on the part of the "District Company" and the "Maine Company" is not in abrogation of the contracts now existing between them and hereinbefore referred to, but supplemental thereto, the said contracts, except in so far as they are modified by this agreement, remaining in full force and effect.

In case of termination of this agreement by either of said parties as herein provided, such termination shall not affect the operation or carrying out of the agreements between the "District Company" and the "Maine Company," dated February 18th, 1904, and March 30th, 1905, which agreements shall then be fully revived as between the parties thereto.

Nineteenth: That the covenants and conditions of this agreement shall be binding upon, and shall inure to the benefit of the successors and assigns of the parties hereto respectively, but the same may not be assigned by any of the parties without the consent of the others in writing.

Twentieth: It is understood and agreed as one of the considerations hereof on the part of each of the parties hereto to the other, that in case any dispute arises concerning the true intent and meaning of any of the provi-

sions of this agreement, or concerning the performance or fulfilment of any of the conditions or covenants of this agreement on the part of any of the parties hereto, then and in that case the same shall be determined by arbitration in the manner following, to wit: If the dispute is between the "General Fire" and the "Maine Company", then the "General Fire" and the "Maine Company" shall each of them select an arbitrator who shall be a resident freeholder of the City of New York, and these two shall [fol. 2046] select a third arbitrator; or if the dispute is between the "District Company" and either the "General Fire" or the "Maine Company", or both of them, then the "District Company" shall select one arbitrator, and either or both the "General Fire" and the "Maine Company" shall select one arbitrator to represent either or both, as the case may be; thereupon the parties hereto shall submit the matters in dispute to the arbitrators, who shall thereupon decide the same and submit their decision in writing to the parties hereto in dispute and such decision shall be a final determination as to such parties of the matters in dispute, and shall be binding upon such parties and such parties agree that a judgment of a court of record may thereupon be entered upon such decision.

Such arbitration and its procedure shall be in accordance with the Statutes of the State of New York in such case made and provided, and particularly pursuant to and under the provisions of the Code of Civil Procedure of the State of New York.

In Witness Whereof, the parties hereto have severally caused these presents to be signed and their respective corporate seals to be hereunto affixed by their officers duly authorized thereto the day and year first above written.

General Fire Extinguisher Company, By F. H. Maynard (Sgd.), President. Automatic Fire Protection Company, By Robt. L. McElroy (Sgd.), President. American District Telegraph Company, By R. C. Clowry (Sgd.), President.

Attest:

Witness as to all.
C. W. Conklin, (Sgd.)

Attest:

John Shepherd, Secty., (Sgd.)

[fol. 2047] State of New York,
County of New York, ss:

On this 29th day of April 1907, before me personally appeared Frank H. Maynard, to me known, who being by me duly sworn, deposes and says: That he resides in Providence, R. I. that he is President of the General Fire Extinguisher Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co.,
Ctf. Filed In N.Y. Co.

State of New York,
County of New York, ss:

On this 29th day of April, 1907 before me personally appeared Robert L. MeElroy, to me known, who being by me duly sworn, deposes and says: That he resides in Cranford, N. J. That he is President of the Automatic Fire Protection Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co.,
Ctf. Filed In N.Y. Co.

[fol. 2048] State of New York,
County of New York, ss:

On this 29th day of April, 1907 before me personally appeared Robert C. Clowry, to me known, who being by me duly sworn, deposes and says: That he resides in New York, N. Y. that he is President of the American District Telegraph Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order

of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co.,
Ctf. Filed in N. Y. Co.

[fol. 2049] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 80-B

Contract between General Fire Extinguisher Company American District Telegraph Company The Automatic Fire Protection Company Automatic Fire Alarm Company Consolidated Fire Alarm Company and Boston Automatic Fire Alarm Company

Dated April 29, 1907

[fol. 2050] Agreement

Agreement, made this 29th day of April 1907, between General Fire Extinguisher Company, a New York corporation, of the first part, hereinafter called the "General Fire", American District Telegraph Company, a New Jersey Corporation, of the second part, hereinafter called the "District Company", The Automatic Fire Protection Company, a Maine corporation, of the third part, hereinafter called the "Fire Protection Company" and Automatic Fire Alarm Company and Consolidated Fire Alarm Company, both New York corporations, and the Boston Automatic Fire Alarm Company, a Maine corporation of the fourth part, hereinafter called the "Fire Alarm Companies,"

Witnesseth:

Whereas, an agreement has been made simultaneously herewith, a copy whereof is hereto annexed, marked Exhibit "A", between the "General Fire" and "District Company" and "Fire Protection Company" relating to central station sprinkler supervisory and valve alarm service in all sprinkler plants and systems in and throughout the United States of America; and

Whereas, the parties hereto have agreed together that the "Fire Alarm Companies" shall succeed to the rights

and undertake the obligations of the "Fire Protection Company" as expressed in the said annexed contract marked Exhibit "A", in and for the Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania, except that the Sixteenth, Seventeenth and Eighteenth paragraphs of said Exhibit "A" shall not apply to the "Fire Alarm Companies",

Now, Therefore, the "Fire Protection Company" (the "General Fire" and the "District Company" thereto consenting) has assigned, transferred and set over, and by these presents does assign, transfer and set over unto the "Fire Alarm Companies" all the rights and privileges of the "Fire Protection Company" under said annexed agreement marked Exhibit "A", except the aforesaid paragraphs Sixteenth, Seventeenth and Eighteenth of said Exhibit "A", and also all its rights to do all new or additional fire alarm business, including exclusive licenses for and [fol. 2051] during the term of this agreement under all its present and future patents, improvements thereon, licenses and rights relating to such business, but only in and for the said Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania.

And the "Fire Alarm Companies" have agreed and by these presents do agree to accept such assignment and transfer and to perform and fulfil all the conditions and covenants thereof on the part of the "Fire Protection Company" to be performed and fulfilled as therein stated.

Second: It is agreed by the "District Company" as one of the conditions hereof, that it, the "District Company" during the term of the agreement, marked Exhibit "A", shall not transact directly or indirectly in the aforesaid Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania, or any of them, any automatic fire alarm or sprinkler supervisory or valve alarm business, except that it, the "District Company", may continue its present service contracts and renewals thereof in said cities, and shall conduct a sprinkler supervisory and valve alarm service in said cities as provided in said contract between the "District Company", the "General Fire" and the "Fire Protection Company" copy of which is hereto annexed marked Exhibit "A".

Third: In consideration of the sum of Five Thousand dollars ($5,000.) to be paid to the "Fire Alarm Companies" upon the execution and delivery of this agreement by the "District Company", the receipt of which is hereby acknowledged on the part of the "Fire Alarm Companies", the Fire Alarm Companies have assigned, transferred and set over and by these presents do assign, transfer and set over to the "District Company", their United States Letters Patent now belonging to the "Boston Automatic Fire Alarm Company" relating to night watch business and also all of their good will, rights and interests in any new or additional night watch or burglar alarm service business in said Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania, and [fol. 2052] else where throughout the United States of America, and the said "Fire Alarm Companies" hereby agree that they will not, nor will either or any of them, hereafter during the term of this agreement, engage in or transact anywhere in the United States outside of said cities, any night watch, fire alarm, burglar alarm, automatic fire alarm, sprinkler supervisory or valve alarm, or any other form or kind of signal service, that any of the parties hereto are or may be engaged in, and that they will not in the Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania, transact or engage in, either directly or indirectly any additional or new night watch or burglar alarm or other form of signal service, except that they, the said "Fire Alarm Companies" may continue to operate and maintain such night watch and burglar alarm, automatic fire alarm, manual fire alarm, sprinkler supervisory and valve alarm business, or renewals thereof, in said cities as they now have in service or under contract and except that said "Fire Alarm Companies" may engage in sprinkler supervisory and valve alarm service as provided in said agreement marked Exhibit "A", and except that said "Fire Alarm Companies" may continue to secure, install operate and maintain any present, additional or new automatic fire alarm and manual alarm service.

Fourth: It Is Further Agreed by and between the "General Fire", the "District Company" and the "Fire Alarm Companies," as one of the conditions hereof, that if at any

time any of the service contracts now or hereafter operated by the "Fire Alarm Companies" shall be supplanted by sprinkler supervisory or valve alarm service, or both, except as hereinafter provided, then there shall be paid to the "Fire Alarm Companies" out of the rentals collected by the "District Company" for such sprinkler supervisory or valve alarm service, or both, and so long as such rentals are collected, an annual amount which shall be equal to two-thirds of the amount of the rentals of the service supplanted reckoned for one year at the time the [fol. 2053] contract for the sprinkler supervisory or valve alarm service is made, and written notice of said amount shall be attached to the contracts filed with the "District Company" and the "General Fire", which amount so paid is to be deducted from the gross rentals from the supplanting sprinkler supervisory or valve alarm service, or both, before any division is made of such gross rentals pursuant to the provisions of the said annexed agreement marked Exhibit "A" among the parties entitled thereto, including the "Fire Alarm Companies"; but it is however, provided that the "District Company" shall not be obliged to accept any such sprinkler supervisory or valve alarm service contracts unless the balance of gross rentals therefrom remaining after the payment of the aforesaid two-thirds of supplanted service rentals shall equal the minimum rentals required by the Fifth paragraph of the annexed agreement marked Exhibit "A".

It is further provided as to all sprinklered risks having neither sprinkler supervisory nor valve alarm service nor automatic fire alarm service at the date of this agreement, that the "Fire Alarm Companies" shall, at the time of submitting an offer for automatic fire alarm service in such risks, also submit an offer for sprinkler supervisory and valve alarm service at fair rates to all the parties hereto, it being understood and agreed that should the offer of sprinkler supervisory or valve alarm service be accepted at that time, and the offer of automatic fire alarm service rejected, the installation of the sprinkler supervisory or valve alarm service shall not be deemed as supplanting an automatic fire alarm service. But it is further provided that should the offer of automatic fire alarm service be accepted and the service be installed, and a later contract

made for sprinkler supervisory or valve alarm service which shall thereby supplant such automatic fire alarm contract, then and in that case the foregoing provision concerning the supplanting of an automatic fire alarm by a sprinkler supervisory or valve alarm service shall apply, as herein provided.

Fifth: The "Fire Alarm Companies" hereby agree that they will not, nor will any of them, after the execution of this agreement, install or operate any new or additional [fol. 2054] sprinkler supervisory or valve alarm service in the Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania, except under the terms of Exhibit "A", except as hereinbefore provided.

Sixth: The duration of the licenses and rights hereinabove referred to shall be for a term ending February 18th, 1954.

Seventh: This agreement shall be binding upon the successors and assigns of the respective parties hereto.

In Witness Whereof, the parties hereto have severally caused these presents to be signed and their respective corporate seals to be hereunto affixed by their officers duly authorized thereto the day and year first above written.

Attest:

Witness as to all.

G. W. Conklin (Sgd.)

General Fire Extinguisher Company, By F. H. Maynard (Sgd.), President.

Attest:

Automatic Fire Protection Company, By Robt. L. McElroy (Sgd.), President.

Attest:

American District Telegraph Company, By R. C. Clowry (Sgd.), President.

Attest:

Automatic Fire Alarm Company, By Elijah S. Cowles (Sgd.), President.

Attest:

Consolidated Fire Alarm Company, By John D. Everitt (Sgd.), President.

Attest:

Boston Automatic Fire Alarm Company, By Elijah S. Cowles (Sgd.), President.

[fol. 2055] State of New York,
County of New York, ss:

On this 29th day of April 1907 before me personally appeared Frank H. Maynard, to me known who being by me duly sworn, deposes and says: That he resides in Providence, R. I. that he is President of the General Fire Extinguisher Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (sgd.), Notary Public Kings Co., CTF. Filed In N. Y. Co.

State of New York,
County of New York, ss:

On this 29th day of April, 1907, before me personally appeared Robert C. Clowry, to me known, who being by me duly sworn, deposes and says: That he resides in New York, N. Y. and is President of the American District Telegraph Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co., CTF. Filed In N. Y. Co.

[fol. 2056] STATE OF NEW YORK,
County of New York, ss:

On this 29th day of April, 1907 before me personally appeared Robert L. McElroy, to me known, who being by me duly sworn, deposes and says: That he resides in Cranford, N. J. that he is President of the Automatic Fire Protection Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co.,
CTF. Filed In N. Y. Co.

STATE OF NEW YORK,
County of New York, ss:

On this 29th day of April, 1907, before me personally appeared Elijah S. Cowles, to me known, who being by me duly sworn, deposes and says: That he resides in Jersey City, N. J. that he is President of the Automatic Fire Alarm Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co.,
CTF. Filed In N. Y. Co.

[fol. 2057] STATE OF NEW YORK,
County of New York, ss:

On this 29th day of April, 1907, before me personally appeared John D. Everitt, to me known, who being by me duly sworn, deposes and says: That he resides in Orange, N. J. that he is President of the Consolidated Fire Alarm Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the

Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co.,
CTF. Filed In N. Y. Co.

STATE OF NEW YORK,
County of New York, ss:

On this 29th day of April, 1907, before me personally appeared Elijah S. Cowles to me known, who being by me duly sworn deposes and says: That he resides in Jersey City, N. J. that he is President of the Boston Automatic Fire Alarm Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

C. W. Conklin (Sgd.), Notary Public Kings Co.,
CTF. Filed In N. Y. Co.

[fol. 2058] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 80-C

Agreement between Automatic Fire Protection Company, Automatic Fire Alarm Company, Consolidated Fire Alarm Company and Boston Automatic Fire Alarm Company

Dated April 29th, 1907.

[fol. 2059] Agreement, made this 29th day of April, 1907, between the Automatic Fire Protection Company, a Maine corporation, acting for itself and its subsidiary companies, hereinafter called the "Fire Protection Company", of the first part, and the Automatic Fire Alarm Company, a New York corporation, the Consolidated Fire Alarm Company, a New York corporation, and the Boston Automatic Fire Alarm Company, a Maine corporation, hereinafter called the "Fire Alarm Companies", of the second part.

Witnesseth:

That for and in consideration of One Dollar ($1) to each of the parties hereto in hand paid, at or before the ensealing and delivery of these presents, and in consideration of the mutual promises and agreements hereinafter expressed, the parties hereto have agreed together as follows:

First: The "Fire Protection Company" has assigned, transferred and set over and by these presents does assign, transfer and set over to the "Fire Alarm Companies" all its rights to do all new or additional fire alarm business in the Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania, and has licensed and by these presents does license exclusively the said "Fire Alarm Companies" for and during the term of this agreement under all its patents, patent rights, licenses and rights relating to such business, and agrees from time to time hereafter during the term of this agreement as it may obtain further patents, patent rights, improvements, licenses and rights relating to such business to grant to the said "Fire Alarm Companies" exclusive licenses there- [fol. 2060] under, the said licenses, however, to be only for the said Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania.

Second: The "Fire Alarm Companies" have assigned, transferred and set over and by these presents do assign, transfer and set over to the "Fire Protection Company" all of their rights to do fire alarm and sprinkler supervisory and valve alarm business in all territory in the United States of America outside of the aforesaid cities, and have licensed and by these presents do license the said "Fire Protection Company" exclusively for and during the term of this agreement under all their patents, patent rights, licenses and rights relating to such business, and agree hereafter from time to time as they may obtain patents, patent rights and improvements and rights relating to such business to exclusively license the said "Fire Protection Company" thereunder for and during the term of this agreement for all territory in the United States of America outside of the aforesaid cities.

Third: The "Fire Alarm Companies" have assigned, transferred and set over and by these presents do assign, transfer and set over to the "Fire Protection Company" as of the first day of May, 1907, all of the inspection contracts of the National Fire Appliance Company, a Massachusetts corporation, and also all of the patents, patent rights and licenses of said corporation, and also the right to transact all new business of the said corporation, and, further, have agreed and by these presents do agree to assign, transfer and set over to the "Fire Protection Company" on or before June 1st, 1907, all of the capital stock of the said National Fire Appliance Company, it being understood that prior to the transfer of said stock there [fol. 2061] shall be transferred to the "Fire Alarm Companies" by the said National Fire Appliance Company the right to complete all sales contracts now on hand or in process of construction at the expense of the "Fire Alarm Companies" and to their own profit, and all other assets not above enumerated.

Fourth: The "Fire Protection Company" agrees to pay to the "Fire Alarm Companies" or to such of them as the "Fire Alarm Companies" may designate, from the first day of May, 1907, to the twentieth day of June, 1910, the annual sum of Thirty-six hundred Dollars ($3600), payable in equal monthly instalments, except that in case the net earnings of the said National Fire Appliance Company for the year ending June 20th, 1908, shall amount to Twenty-five thousand Dollars ($25000), or in case the above named Boston Automatic Fire Alarm Company shall be held liable by a Court of competent jurisdiction to pay a sum in excess of Thirty-six hundred dollars ($3600) per annum to one George A. Wall, then the sum to be paid by the said "Fire Protection Company" for the two years next preceding June 20th, 1910, shall be Thirty-six hundred dollars ($3600) per annum, together with such sum in excess of said sum of Thirty-six hundred Dollars ($3600) per annum as the Boston Automatic Fire Alarm Company shall be as aforesaid held liable to pay to the said George A. Wall, such excess sum not to exceed Nine hundred dollars ($900) per annum.

Fifth: It Is Further Understood and Agreed that prior to the transfer of the capital stock of the National Fire Appliance Company as aforesaid the said National Fire

Appliance Company will give exclusive licenses under all its patent rights, patents, contracts and licenses to the "Fire Alarm Companies" for the Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania, and also thereafter from time to time as it may require patents, patent rights, contracts and licenses, will give exclusive licenses thereunder for the [fol. 2062] said cities to the said "Fire Alarm Companies".

Sixth: The "Fire Alarm Companies" have assigned, transferred and set over, and by these presents do assign, transfer and set over as of the first day of May, 1907, to the "Fire Protection Company", all their Chicago plant, service contracts and business, subject, nevertheless, to the leases and their obligations of premises No. 159 La Salle Street, and also subject to rentals to be paid to the Telephone Company for the use of wires, and also subject to franchise and license taxes, all of which the "Fire Protection Company" agrees to assume, bear and pay.

Seventh: The "Fire Protection Company" agrees to maintain and operate for the term of five years from the date hereinafter mentioned, in accordance with insurance requirements the Chicago plant and the business transferred therewith, and to pay to the "Fire Alarm Companies" in addition to the foregoing a sum equal to fifty percent of the gross rentals therefrom for service rendered or to be rendered during the first year next following the date hereinafter mentioned and also a further sum equal to forty-five percent of the gross rentals therefrom, for service rendered or to be rendered during the next succeeding four years after said first year.

Eighth: It Is Further Agreed that in case any of the present business in the said city of Chicago herein agreed to be transferred by the "Fire Alarm Companies" to the "Fire Protection Company" be hereafter supplanted during the aforesaid five year period by sprinkler supervisory business, in which business the "Fire Protection Company" its successors or assigns, are directly or indirectly interested, then and in that case, nevertheless, the "Fire Protection Company" is to pay to the "Fire Alarm Companies" the same amount as if said business had not been supplanted.

[fol. 2063] Ninth: It is agreed that as to the aforesaid payments to be made from the Chicago business the same shall be made from time to time as and when collected and preferably on the 15th day of each month for the month immediately preceding: and also that all rentals heretofore collected by the "Fire Alarm Companies" for service to be performed after the date hereinafter named shall be credited to the "Fire Protection Company."

Tenth: It is further agreed that the share of the "Fire Alarm Companies" in the sum of Five thousand dollars ($5,000) provided for or paid under certain contigencies by paragraph Fourth of the agreement dated April 29th, 1907, between the General Fire Extinguisher Company, the American District Telegraph Company and the Automatic Fire Protection Company, shall be thirty per cent (30%) thereof.

Eleventh: The parties hereto agree with each other that they will from time to time hereafter and as each one may require from the other, do all further acts and execute such further papers as may be proper or necessary to carry out the intent and spirit of this agreement, and further that the licenses granted or to be granted under this agreement shall run for a term ending February 18th, 1954.

Twelfth: This agreement is to be binding upon the successors and assigns of the respective parties hereto.

In Witness whereof, the parties hereto have caused these presents to be signed and their respective corporate seals to be hereunto affixed by their officers duly authorized thereto respectively, the day and year first above written.

[Seal.]

Automatic Fire Protection Co., By Robt. L. McElroy, Pres.

[Seal.]

Automatic Fire Alarm Company, By Elijah S. Cowles, Pres.

[Seal.]

Consolidated Fire Alarm Company, By John D. Everitt, Pres.

[Seal.]

Boston Automatic Fire Alarm Co., By Elijah S. Cowles, President.

[fol. 2064] STATE OF NEW YORK,
County of New York, ss:

On this 30th day of April, 1907, before me personally came Robert L. McElroy, who being by me duly sworn, did depose and say: That he resides in Cranford, New Jersey, that he is President of the Automatic Fire Protection Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Henry Caplan, Notary Public, N.Y.Co.

STATE OF NEW YORK,
County of New York, ss:

On this 30th day of April, 1907, before me personally came Elijah S. Cowles, who being by me duly sworn, did depose and say: That he resides in Jersey City, New Jersey, that he is President of the Automatic Fire Alarm Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Henry Caplan, Notary Public, N.Y.Co.

[fol. 2065] STATE OF NEW YORK,
County of New York, ss:

On this 30th day of April, 1907, before me personally come John D. Everitt, who being by me duly sworn, did depose and say: That he resides in Orange, New Jersey, that he President of the Consolidated Fire Alarm Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Henry Caplan, Notary Public, N.Y.Co.

State of New York,
County of New York, ss:

On this 30th day of April, 1907 before me personally came Elijah S. Cowles, who being by me duly sworn, did depose and say: That he resides in Jersey City, New Jersey, that he is President of the Boston Automatic Fire Alarm Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Henry Caplan, Notary Public, N.Y.Co.

[fol. 2066] Understanding as to Chicago plant and business between Automatic Fire Protection Company and Consolidated Fire Alarm Company, written and signed May 1st, 1907.

That the Consolidated Fire Alarm Company completes the installation of all service contracts now on hand, or in process of construction, at its own expense, and when the same are completed the same are to be turned over to the Automatic Fire Protection Company to be maintained and which the Consolidated Fire Alarm Company shall receive compensation, all under and pursuant to the terms of the agreement heretofore made between the Automatic Fire Protection Company and the Consolidated Fire Alarm Company and two other corporations, dated April 29th, 1907.

Signed by the President of the Automatic Fire Protection Company and by the President of the Consolidated Fire Alarm Company.

Robt. L. McElroy, President, Automatic Fire Protection Co. John D. Everitt, President, Consolidated Fire Alarm Company.

[fol. 2067] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 81

Agreement between American District Telegraph Company Automatic Fire Protection Company and Fire Protection Development Company

Dated June 13, 1913.

[fol. 2068] For a Valuable Consideration by it had and received, receipt of which is hereby acknowledged, the Automatic Fire Protection Company, a corporation of the state of Maine, hereby assigns, transfers and sets over to the American District Telegraph Company, a corporation of the State of New Jersey, all its right, title and interest in and to all contracts for service with its various customers, and all property owned by the Automatic Fire Protection Company and used therein; and in and to the stock of the various companies through which it and the Fire Protection Development Company took such contracts and installed such property and equipment.

This transfer is made in accordance with and in furtherance of and subject to the terms and conditions of a certain agreement made the 13th day of June, 1913, between the American District Telegraph Company, Automatic Fire Protection Company and Fire Protection Development Company, and the prior collateral assignment of said stock as therein recited.

In Witness Whereof, the Automatic Fire Protection Company has caused this instrument to be duly executed as of the 13th day of June, 1913.

Automatic Fire Protection Company, By Robt. L. McElroy (Sgd.)

A. M. Crooker (Sgd.)

[fol. 2069] Agreement, made this 13th day of June 1913, by and between American District Telegraph Company, a corporation duly organized and existing under the laws of the State of New Jersey (hereinafter called the "District Company"), Automatic Fire Protection Company, a cor-

poration duly organized and existing under the laws of the State of Maine (hereinafter called the "Automatic Company") and Fire Protection Development Company, a corporation duly organized and existing under the laws of the State of Maine (hereinafter called the "Development Company")

Witnesseth:

Whereas, Robert L. McElroy and his assigns, the Automatic Fire Protection Company, have entered into contractual relations with the District Company as evidenced by a schedule of contracts made a part hereof, as follows:

Mar. 2, 1903.	between Ludlow Automatic Fire Alarm Company and the American District Telegraph Company of New Jersey.
Feb. 18, 1904.	between Robert L. McElroy and American District Telegraph Company of New Jersey.
Mar. 30, 1905.	between American District Telegraph Company of New Jersey and Robert L. McElroy.
Apl. 21, 1905.	between Automatic Fire Protection Company of Maine and Robert L. McElroy.
Apl. 21, 1905.	between American District Telegraph Company of New Jersey and Automatic Fire Protection Company of Maine.
July 27, 1905.	between the same parties and others,
Oct. 12, 1905.	between the same parties
Apl. 29, 1907.	between the same parties
Apl. 29, 1907.	between General Fire Extinguisher Company of New York, Automatic Fire Protection Company of Maine and American District Telegraph Company of New Jersey.

under which Central Station Sprinkler Supervisory and Valve Alarm service and Automatic Fire Alarm service are being furnished by operations of the District Com- [fol. 2070] pany through its various subsidiary companies, and

Whereas, the Development Company has succeeded to the rights and obligations of the said McElroy, and the said Automatic Company to the said contracts,

Now, Therefore, the parties hereto have agreed as follows:

Article 1

The District Company hereby assumes the entire burden and expense of soliciting business and agrees to furnish all instruments and materials, and agrees to install all mechanisms and devices which, under the above schedule of contracts, are the obligations of the Automatic Company and of the Development Company.

The District Company will secure all necessary permits, at its sole expense, for operating service as contemplated under the above schedule of contracts.

Article 2

The rentals hereunder collected for the first three (3) years' service under each installation hereafter made, except under contracts heretofore accepted, shall, (after deducting such sums, if any, as the General Fire Extinguisher Company shall be entitled to receive) be retained *in toto* by the District Company; thirty per cent (30%) of all gross rentals thereafter collected shall be retained by the District Company, and the remainder (after deducting such sums, if any, as the General Fire Extinguisher Company shall be entitled to receive) shall be divided equally between the District Company and the Automatic Company. Should the average rental for the first three years exceed the rental for any later year, the amount of such excess shall be deemed to be an installation fee, and all such fees, and all other installation fees shall be divided on the basis of,

50% (less the amount which the General Fire Extinguisher Company may be entitled to receive) to the Automatic Company; and 50% to the District Company.

[fol. 2071] Article 3

Thirty per cent (30%) of the gross rentals hereafter collected on all installations heretofore made, or contracted to be made, shall be retained in toto by the District Company, and the remainder (after deducting such sums, if any, as the General Fire Extinguisher Company shall be

entitled to receive) shall be divided equally between the District Company and the Automatic Company.

Article 4

All contracts hereafter made relating to installations then existing, whether with the original or other parties, shall be deemed to be renewals, and the division of rentals thereunder shall be made as stated in Article 3 hereof, except that where increased revenues are received for the same or additional installations, the revenue to the extent of such increase shall be divided as stated in Article 2 hereof.

Article 5

The District Company will maintain an efficient organization devoted to the promotion of and will accept and promptly install the business of Automatic Fire Alarm service and Sprinkler Supervisory and Valve Alarm service falling within the conditions named in the contracts above recited, in the expectation that the service will grow more rapidly under the greater organization management and undivided control of that company.

Article 6

The District Company will on the tenth (10th) day of each month submit to the Automatic Company a detailed statement of its gross receipts during the previous month pertaining to the business provided for in this contract, and with such statement remit the amount due thereunder.

The District Company will promptly notify the Automatic Company of the commencement and of the termination of service to each subscriber. All contracts shall be executed in triplicate by the subscriber, and one copy thereof furnished to the Automatic Company.

[fol. 2072] Article 7

During the period of this contract the District Company or its subsidiaries receiving rentals from Manual Signal service in the City of New York shall account for the same up to but not exceeding the sum of $29,000 per annum under Article 3 hereof, deducting from such gross rentals

also the sum of $5,000 per annum to be paid the Guardian Trust Company, Trustee.

Article 8

The Automatic Company owing or controlling the patents covering the various devices required for conducting the service contemplated under the above schedule of contracts, hereby grants to the District Company the exclusive license (except for devices to be used or sold outside of the United States) to manufacture, use or sell, or cause to be manufactured, used or sold any and all of the devices covered by such patents now owned or controlled or which may hereafter be owned or controlled by it, during the pendency of this contract, Provided, However, that all suits and all obligations arising out of the infringement of patents under contracts or installations existing at the date of this contract, whether such suits are now brought or hereafter to be brought, shall be taken care of and assumed by the Automatic Company; but all questions of infringement or obligations arising out of the use of patents under contracts or installations, or arising out of action taken after the date of this contract shall be borne by the District Company.

It is further agreed that during the pendency of this contract the provisions of Articles seven (7) and twenty-four (24) of the contract of February 18th, 1904, shall not be effective or be enforced by either party as against the other, but shall revive and become effective only in the event of the termination of this contract prior to February 18th, 1954.

Article 9

The Automatic Company shall assign, transfer and set [fol. 2073] over to the District Company all of its right, title and interest in and to all contracts for service with various customers and all property owned and used therewith, and the District Company shall from the date of this contract assume all duties and responsibilities under said contracts. All contracts with subscribers for service shall, from the date hereof, be taken in the name of the American District Telegraph Company (of New Jersey) or in the name of its subsidiary companies, and in case of breach of any of the obligations assumed by the District

Company and its failure to remedy the same after thirty (30) days written notice thereof, all the interest in Central Station Automatic Fire Alarm and Sprinkler Supervisory and Valve Alarm service given to the Automatic Company under the contract of February 18th, 1904, and contracts supplementary thereto, shall, at the option of the Automatic Company, be assigned to it by the District Company and the rights of the parties with respect to the operation of such service shall be established on the basis named in said contract of February 18th, 1904, and any contract supplementary thereto. In such event, the District Comptny shall also assign to the Automatic Company all contracts with subscribers relative to such service whether taken in the name of the District Company or the Automatic Company or in the name of any of the subsidiaries of either of them.

Article 10

It is mutually agreed that this contract shall be in force from the date first above written until February 18th, 1954, but all then existing contracts for service of the nature contemplated under the above schedule of contracts, and all the property installed inside the buildings hereunder shall belong one-half to the District Company and one-half to the Automatic Company, and the District Company agrees that in the meantime no mortgage, lien or assignment will be placed on such property within buildings of subscribers without the consent of or without recognizing or reserving the rights of the Automatic Company.

[fol. 2074]

Article 11

Sales of equipment or devices for any of the service herein referred to may be made, but for such sales or any private installations made the District Company shall pay to the Automatic Company five per cent (5%) of the gross contract price for all such sales or installations outside of cities where Central service is now or hereafter may be maintained, and ten per cent (10%) in such cities where such Central service is maintained, except in cases where competition exists, and in such cases five per cent (5%), Provided, that in case any such equipment or devices so sold, or installation is thereafter connected with the Central station service or any service rendered in relation thereto,

the said Central service connection or such service shall be charged for at the then existing standard rates, and the revenue therefrom shall be divided under the provisions of Article 3 of this contract. Standard rates for maintenance and inspection or either shall not be less than one-half the then existing standard rates for Central Station service.

Article 12

All fixed charges and obligations, of the Automatic Com- Development Company under its contract with James G. Nolen, dated January 3d, 1911, shall be borne in the following manner: The amount due Nolen shall be deducted from the gross revenue arising from the business under the above schedule of contracts, and the Fire Protection Development Company is relieved, as of the date of this contract, from any further obligation in relation thereto.

All fixed charges and obligations of the Automatic Company under the leases of the National Automatic Fire Alarm Company of Ohio (Cleveland plant), the National Automatic Fire Alarm Company of Cincinnati, Ohio, and of the National Automatic Fire Alarm Company of Louisville, and of the Special Fire Alarm Electrical Signal Company shall be borne by the District Company unless otherwise herein provided, and the Automatic Company, as of the date of this contract, is relieved from any further obligation in relation thereto.

Article 13

The District Company hereby agrees that it will sell to [fol. 2075] the Automatic Company equipment for operating systems contemplated under the above schedule of contracts for export by the Automatic Company, the amount to be charged by the District Company to the Automatic Company to be equal to the District Company's total cost plus ten per cent (10%).

Article 14

The District Company will assume and pay for, as of the date of this contract, the unfilled portion of all Automatic Company's outstanding orders for material and devices of such nature as may be required by the District Company for furnishing service of the nature provided under the above schedule of contracts. The District Com-

pany will also pay to the Automatic Company on the execution of this agreement the manufacturer's cost to it of all material and devices on hand that may be used by the District Company, and a schedule, as of the date of this contract, of the unfilled orders of the Automatic Company for such material and for such devices is hereto attached as part of this contract.

Article 15

The District Company hereby agrees that if the American Telephone & Telegraph Company or the Western Union Telegraph Company, or the subsidiaries of either of them, engage in Sprinkler Supervisory or Valve service or Automatic Fire Alarm service of the nature contemplated under the above schedule of contracts, it will (so long as present relations or their substantial equivalent exist between the District Company and such Telephone and Telegraph Companies or either of them) pay to the Automatic Company on the gross revenue from such service performed by any such company the amounts as provided in Article 2.

Article 16

The District Company may buy business of the nature contemplated by said schedule of contracts, and the same, whether heretofore or hereafter purchased, shall be deemed to be business of the nature of that described in Article 2 and gross returns therefrom divided accordingly unless otherwise provided.

[fol. 2076] Article 17

The Automatic Company hereby agrees to turn over to the District Company all its subsidiary companies doing business in the United States, and all franchises owned or controlled by it or by Robert L. McElroy.

The District Company hereby agrees to accept such subsidiary companies for its use and purposes as it may see fit, and to assume their current taxes and their obligations hereafter incurred.

The stock of such subsidiary companies has been pledged by the Automatic Company as security for the payment of an issue of four hundred thousand dollars ($400,000) of bonds, which the Automatic Company covenants and agrees to pay, and to save the District Company harmless therefrom.

Article 18

The District Company hereby agrees to avail itself of the three (3) year option allowed it under Article 4, contract of February 18th, 1904, and Article 5, contract of April 29th, 1907, covering contracts made with subscribers in which certain excess expenditures were made by the Automatic Company, it being understood and agreed that the distribution of the revenue derived from such contracts with subscribers shall be in accordance with the terms of Article 3 of this contract.

Article 19

The Fire Protection Development Company of Maine hereby assents to all the provisions and conditions of the foregoing agreement, and agrees to assist the Automatic Company in carrying out the same in all particulars, and said Fire Protection Development Company hereby relinquishes all its rights under its contract with the Automatic Fire Protection Company, dated April 29th, 1909, and is hereby absolved from all obligations thereunder.

In Witness Whereof, the parties hereto have severally caused these presents to be signed by their respective officers thereunto duly authorized, and their respective corporate seals to be hereunto affixed by their officers there- [fol. 2077] unto duly authorized, the day and year first above written.

American District Telegraph Company, By Newcomb Carlton (Sgd.), Vice President.

Attest:

F. J. McLain (Sgd.), Secretary.

Automatic Fire Protection Company, By Robt. L. McElroy (Sgd.), President.

Attest:

A. M. Crooker (Sgd.), Secretary.

Fire Protection Development Company, By Arthur J. Baldwin (Sgd.), President.

Attest:

Edward T. Magoffin (Sgd.), Secretary.

[fol. 2078] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 82

Controlled Companies of
AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Offices, 155 Sixth Ave.
New York

June 2, 1932.

C. C. Johnson, President
E. A. Ward, Vice-Pres.-Secy.
John L. Husman, Vice-Pres.

Mr. Frank V. Sackett, Mgr., S.S.S.Dept.,
General Fire Extinguisher Co.,
420 Lexington Ave.,
New York, N.Y.

Dear Mr. Sackett:

This is in connection with the special arrangement applying to the Valve Alarm service business at St. Louis, Mo. as set forth in letters exchanged between our respective Companies dated July 12, 1930 and June 4, 1931.

I believe you are quite familiar with the status of the situation in St. Louis and our activities during the part year. We have taken a very few Valve Alarm jobs away from our competitor who has attempted to retaliate by taking from us a considerable volume of Burglar Alarm service. However, the real effectiveness of our efforts lies in the fact that what business has been taken away from us has been taken away at unprofitable rates, new business has been forced on our competitor at unprofitable rates and our efforts have forced him to reduce rates to an unprofitable basis to a considerable number of his present subscribers. We feel that our efforts have been increasingly effective and that further inroads will have a telling effect.

We would like your Company to extend the special arrangement for a further period of one year from July 1, 1932, at which time consideration will be given to the extension of the arrangement. If it is agreeable to your Company to do so I will appreciate it if you would have the arrangement as set forth in my letter of July 12, 1930, and

as extended in my letter of June 4, 1931, and herein, confirmed by an authorized officer of your Company as provided for hereunder.

Yours very truly, American District Telegraph Company, By C. C. Johnson, President.

Accepted and agreed to for, General Fire Extinguisher Company,

By Russell Grinnell, President.

[fol. 2079] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 83

AMERICAN DISTRICT TELEGRAPH COMPANY
Electric Protection Services

Executive Offices, 155 Sixth Avenue,
New York City
WAlker 5-3700

June 2, 1939.

American District Telegraph Company (N.J.)
155 Sixth Avenue,
New York, N. Y.

Att: Mr. E. A. Ward, Executive Vice President.

Gentlemen:

Special Valve Alarm Service Agreement
St. Louis, Missouri

In view of the unsatisfactory situation which continues to exist at St. Louis, Missouri, we will continue our cooperation with your company for a further period from July 13, 1939 to July 12, 1940, by making the following concessions:

On competitive valve alarm contracts in St. Louis involving yearly rentals of $100.00 or less, our company will furnish and install the usual waterflow devices consisting of either #7, #68 or #498 devices and for the five year term of any such contracts we will accept one half of our regular 25% share, or 12½ per year, for that period. All

other contracts for valve alarm and/or supervisory service to be construed as coming under the regular terms of our 1907 agreement.

Yours very truly, General Fire Extinguisher Company, By Russell Grinnell, Prest.

Accepted:

American District Telegraph Company (N.J.), By E. A. Ward, Executive Vice President.

[fol. 2080] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 84

Agreement made this 18th day of February, 1954 between Automatic Fire Alarm Company, a New York corporation (AFA), and American District Telegraph Company, a New Jersey corporation (ADT), and ADT Controlled Companies (as herein described), the abbreviation ADT being sometimes for convenience used herein to refer to said ADT Controlled Companies or the appropriate one of them.

1. Reference is made to agreement dated December 24, 1953 between AFA, ADT, certain ADT Controlled Companies and Grinnell Corporation ("the 1953 six-party agreement").

2. "Service Contract" as used herein shall be defined as provided in Clause I(C) of the 1953 six-party agreement.

3. With respect to each Service Contract so long as Grinnell Corporation shall be entitled to receive 17½% of the basic annual service charge with respect to such Service Contract as provided in Clause II(C) of the 1953 six-party agreement each such Service Contract shall be operated and the revenues therefrom collected and distributed in each case as follows:

a. With respect to each such Service Contract (other than a Reversed Position Service Contract as defined in the 1953 six-party agreement) ADT will furnish the service required by such Service Contract from its central office, will be responsible for inspection, repair, maintenance and replacement (including the furnishing of repair and replacement devices or other equipment at subscribers'

premises subject to the obligations of Grinnell Corporation in this respect under the 1953 six-party agreement) and will bill and collect from the subscriber all charges for which the subscriber is responsible as the same become due. ADT shall be excused in cases of failure or delay on its part in the performance of its above obligations when caused by fire or other catastrophe or other causes beyond its control so long as such causes exist.

[fol. 2081] b. With respect to each Reversed Position Service Contract AFA shall be responsible for the obligations of ADT under subparagraph "a" above, to the extent therein provided.

c. In every case AFA will use its best efforts to procure a renewal of a Service Contract, except where in the opinion of AFA such renewal would be undesirable.

d. In case of renewal of a Service Contract under which additional service is provided for which requires the installation of additional equipment at the subscriber's premises AFA will furnish at its sole expense the minimum number of additional transmitters and manual fire alarm boxes required, the same to remain its property, and ADT will furnish at its own sole expense all transmitters and manual fire alarm boxes additional to those furnished by AFA which ADT may install for convenience or integrity of operation and all required additional actuating devices (including incidental trim) and interior wiring, the same to remain its property, will install and connect all transmitters and manual boxes whether furnished by AFA or ADT and will furnish the additional outside circuits, if any are required, to ADT's central office (all of the above to be in accordance with the requirements of the fire insurance and/or other authority having jurisdiction) except that if the Service Contract so renewed is a Reversed Position Service Contract then the respective obligations of the parties under this subparagraph "d" shall be reversed, each assuming the obligations of the other. If the transmitters and manual boxes in any case required to be furnished by AFA are in fact supplied by ADT out of its own stock ADT shall invoice the same to AFA at ADT labor and material cost plus 15%.

e. Under pre-existing arrangements between the parties

AFA will have been receiving with respect to certain Service Contracts up to February 18, 1954 a prior participation in customer revenues in cases of supplanted service amounting to 45% of the annual revenue from such supplanted service.

[fol. 2082] In the case of each Service Contract (other than a Reversed Position Service Contract) AFA shall receive from ADT an amount equal to its prior participation, if any, as of February 18, 1954 plus 25% of the amount of all annual and advance service charges billed by ADT to customers and remaining after deduction of AFA's prior participation, if any, and ADT shall retain the balance of such charges subject to payment by it to Grinnell Corporation of the amount to which Grinnell Corporation is entitled under the 1953 six-party agreement.

In the case of each Reversed Position Service Contract ADT shall receive from AFA 25% of all annual and advance service charges billed by AFA to customers and remaining after deduction of AFA's prior participation, if any, and AFA shall retain the balance of such charges subject to payment by it to Grinnell Corporation of the amount to which Grinnell Corporation is entitled under the 1953 six-party agreement.

f. ADT shall account to AFA on the 10th day of each month commencing March 10, 1954 with respect to all service charges under Service Contracts billed during the preceding month. ADT shall in such monthly accounting charge AFA with its proportion of uncollectible items with respect to which AFA shall have been previously credited and shall credit AFA with its proportion of net recoveries on uncollected items with respect to which AFA shall have been so charged. In the cases of Reversed Position Service Contracts AFA shall similarly account to ADT and shall charge and credit ADT with its proportion of uncollectible items and net recoveries respectively.

4. ADT, in its sole and uncontrolled discretion, (a) not more than 120 days and not less than 90 days before expiration of the primary term of any Service Contract when the credit standing of the subscriber is deemed unsatisfactory to it or where the operating conditions, in ADT's judgment, are such as to suggest the undesirability of its continuing to supply service or (b) at any time, in case a

subscriber is in substantial default under a service contract [fol. 2083] during the term thereof, may notify AFA in writing that it does not desire to provide further service; and in case of any such notice, if AFA fails to cancel or terminate the Service Contract to which such notice relates within ten days after receipt of such notice, ADT shall automatically be relieved of any obligation hereunder to provide such service, and any responsibility, to the subscriber or otherwise, for providing same shall be that of AFA alone and if such service is providede by AFA such contract shall thereupon become a Reversed Position Service Contract. In the event of a reversal of positions in accordance with this paragraph AFA shall reimburse ADT for the depreciated book value of equipment in subscriber's premises reflected in ADT's books of account less the depreciated book value of the transmitters and manual fire alarm boxes as reflected in AFA's books of account and such equipment theretofore on ADT's books shall be and remain the property of AFA and such equipment theretofore on AFA's books shall be and remain the property of ADT.

5. Any and all of ADT's obligations hereunder are deemed to be assumed by its appropriate Controlled Company (namely American District Telegraph Company (Mass.), A.D.T. Company, Inc. (N.Y.) and The American District Telegraph Company of Pennsylvania), all of which companies, by executing this agreement, agree to be bound thereby to the same extent as ADT is bound. No such assumption of obligations by an ADT Controlled Company shall relieve ADT of its responsibility to AFA to perform or cause to be performed all of its obligations hereunder.

6. This agreement shall be deemed to be an agreement made under the laws of the State of New York and shall be construed in accordance with the laws of said State.

7. Any controversy or claim arising out of or relating to this agreement, or the breach thereof, including without limiting the foregoing generality any controversy as to its meaning, interpretation or application shall be settled by arbitration in the State of New York in accordance with the rules of the American Arbitration Association, and [fol. 2084] judgment upon the award entered by the arbitrators may be entered in any court having jurisdiction

thereof; provided, however, that with respect to any matter which by the terms of this agreement lies in the judgment or discretion of either party, the issue which the arbitrators may determine shall be only whether the judgment or discretion was exercised in good faith and without abuse by the party so empowered; and if the arbitrators shall determine that the exercise was in good faith and without abuse, then the decision of the party empowered to exercise the judgment or discretion shall in all respects be sustained.

8. Any notice or other communication required or permitted to be given hereunder or by any provision of law by any party hereto to another party shall be deemed to have been duly given if mailed, postage prepaid, by registered mail, addressed, in the case of ADT and ADT Controlled Companies, to 155 Sixth Axenue, New York 13, N.Y., or, in the case of AFA, to 416 Broadway, New York 13, N.Y., or to such other addresses as any party may hereafter advise the others in writing for this purpose.

Executed in duplicate original in New York, N.Y., the day and year first above written.

Automatic Fire Alarm Company, By ——, ——, President. American District Telegraph Company, By ——, ——, President. American District Telegraph Company (Mass.), A.D.T. Company, Inc. (N.Y.), The American District Telegraph Company of Pennsylvania, By ——, ——, President of each of said companies.

[fol. 2085] In the United States District Court

Government Exhibit No. 85

Memorandum for File

Grinnell Corporation Negotiations

Digest of discussion that took place in Mr. Ward's office on Friday, October 5, 1951 at 10 o'clock A.M., at which were present Messrs. Ward, Gaillard, Gaston, MacDonald, Fleming, Clapp, Rison and Mr. B. P. DeWitt, the latter a New York attorney for the Grinnell Corporation.

The proceedings were under way when I joined the discussion, but I am informed by Mr. Gaston that following

the usual preliminaries, Mr. Fleming opened the discussion by referring to the impasse that appears to have taken place in the negotiations, remarking that he had inquired of his attorneys as to the probable outcome of 1954 developments, and had been informed that if no agreement was reached before that time, the courts probably would be required to appoint a receiver for the proper administration of the business and that it would behoove Grinnell, in advance of 1954, to prepare itself by hiring and training a sales force and equipping central stations so as to place itself in the position of being able to continue in the sprinkler supervisory business.

I joined the discussion, at this point, in time to hear Mr. Ward recite something of the course of our negotiations with Grinnell, how these had commenced, some time in 1946, with Russell Grinnell participating, which negotiations had continued, with some interruptions, until the time when it appeared that Grinnell conceived that it was inevitable ADT and Grinnell must engage in competition It was observed that the length of the intervals between our meetings had been largely occupied by Grinnell's acquisition of the businesses of the Automatic Fire Alarm Company and the Holmes Company and that much of the delay in negotiations had not been of ADT's making or to its liking. Mr. Ward pointed out that we were under the advice of counsel in our belief that the existing arrangement between ADT and Grinnell was violative of the antitrust statutes. He said that many suggestions have been made for continuation of some form of cooperation between the two companies, on various bases, all of which appear to contain some legal taint. It was said that we believed that Grinnell was convinced of the propriety of this legal precept and inquired of Mr. Gaillard if this was not so.

Mr. Gaillard referred to his several meetings with Mr. Clapp and indicated that he had not been able to find that anything suggested by Mr. Clapp which would prove, in any way acceptable to Grinnell, would leave us on anything but dangerous ground.

Mr. DeWitt remarked that Mr. Gaillard's former approaches had been entirely on the basis of considering Grinnell in the position of an exclusive supplier, contending that if the principle were accepted that Grinnell did

certain work and furnished certain facilities, on a partnership basis and not as a simple supplier of materials, it seemed to him that there could be no illegality in the arrangement. He commented that if he was sound in his concept of the partnership arrangement, the legal cases upon which Mr. Gaillard rested his conclusion, did not apply.

Mr. Gaillard responded that Grinnell's representations in the course of the recent meetings between himself, Mr. Clapp and Mr. DeWitt, came as something of a surprise. The theory then advanced by Grinnell that Grinnell and AFP were partners in the business did not conform to our thinking. Definitely, said Mr. Gaillard, ADT is not a subordinate party in the arrangement. He said that he had studied the contract relationships, closely, and felt that Grinnell's position was not founded. Based upon the language of the 1907 agreement, in relationship to all surrounding circumstances, the conclusion seems clear that throughout all the years Grinnell has been the supplier of materials and remains so, until 1954, and at that time.

Mr. DeWitt said that in reaching his conclusion he had relied on the terms of the contract and attempted to draw some sort of distinguishment between ADT as an original party to the 1907 agreement and ADT as successor to whatever interests may have been possessed by McElroy. The [fol. 2086] 1907 contract, said Mr. DeWitt, provides that ADT shall collect the rentals under contracts with subscribers, and retain 50% of contract proceeds for all labor and materials furnished. He pointed to the fact that no such language was contained in relation to the Grinnell and McElroy interests under the 1907 agreement. He termed it extraordinary that this provision should appear in the 1907 agreement respecting ADT's participation and not with respect of the participation of either Grinnell or AFP. He concluded that Mr. Gaillard and himself probably could bore us all with the arguments that each might advance, that apparently each attorney thought he was right in his conclusion.

Mr. Gaillard said that he had tried properly to weigh the arguments advanced by Grinnell, but had been unable to reach the same conclusion as Grinnell, on the basis of the facts at hand. He suggested that sight must not be lost of the prior relationships between McElroy and ADT,

entered into in 1904 by agreement to which Grinnell was not a party, that of the two parties to the 1904 agreement, only one (ADT) was in the central station business. He remarked that with respect of the three parties to the 1907 agreement, AFP, ADT and Grinnell, only ADT was solidly engaged in supplying central station protection service. He remarked that it would be surprising to conclude that AFP and Grinnell were established as partners under the 1907 contract, to the exclusion of ADT, when the only language in the 1907 agreement appearing to relate to this point at all, was that which has to do with the division of collections from subscribers. If, said Mr. Gaillard, it was the purpose of the 1907 agreement to bring about a partnership arrangement between AFP and Grinnell, entirely different contract language would have been employed to do it. Mr. Gaillard commented upon the identical language respecting the division of revenue collections which appears in another contract and with respect of which no such interpretation has been placed by any of the parties thereto. He said that he felt he could place no great importance upon the specific language of the collection participation provision of the 1907 agreement.

Mr. Gaillard further asked that Mr. DeWitt consider the language of the default clause of the 1907 agreement remarking that about all it entitled Grinnell to was the return of its $85,000 contribution to the business. He said that it would be a most extraordinary proceeding if one of two partners, under default of some provision of the partnership agreement, simply said to the other one that it was entitled to the entire ownership of the business. Mr. Gaillard said that this was only one of the many arguments that could be advanced to point to the fact that the 1907 agreement did not constitute Grinnell as a partner in the business.

Mr. DeWitt remarked that the historical facts rather seemed to weigh against Mr. Gaillard's theories. He said the 1904 agreement between McElroy and ADT made clear that ADT was McElroy's agent. He described McElroy as historically in ownership of the SS & WF patents and as having employed ADT, as AFP's agent, in 1904 to do the work that had to be done to make the patents useful. He continued in recitation to show the McElroy took in Grinnell,

as a partner, in 1907, employing identical language in the 1907 agreement in hiring ADT as an agent of AFP-Grinnell. He concluded that the plain language of the parties, expressed in the 1907 agreement, could not be disregarded. As far as the Rhode Island Electric Protective Company agreement is concerned, Mr. DeWitt said that he had examined this but had not been impressed by Mr. Gaillard's reference to the similarity of language. He stated that it appeared to him that in circumstances different to those inherent in the 1907 agreement, Grinnell might well be considered as an agent. As to the sprinkler supervisor arrangements, Mr. DeWitt said that ADT began as an agent and continued as an agent. DeWitt again pointed to the language of the participation provision of the 1907 agreement as requiring ADT to do something for which it received payment in full as compelling, to his mind, in establishing ADT as an agent.

Mr. Gaillard contended that the participation provision of the 1907 agreement must be read in proper context and with full regard for all preceding and surrounding circum- [fol. 2087] stances. He remarked that at no time, throughout the years, did AFP ever consider Grinnell as its partner in any undertaking. He observed, moreover, that he had not been able to find anything in the 1904 contract that proclaimed ADT as an agent of AFP.

Mr. DeWitt commented that whenever one party to a contract undertook to do something in consideration of receiving full payment therefor, that party must be considered an agent.

Mr. Gaillard read from Article Twenty-fifth of the 1904 agreement which provides simply that the District Company shall collect from McElroy's subscribers all of the rentals, moneys, etc., and that it will keep just and accurate account of all moneys so collected agreeing to remit and pay to McElroy on the 10th of each month 45% of the gross rentals collected under the contract, provided, however, that the gross rentals for the first year of each service contract shall be equally divided between the parties to this contract. Mr. DeWitt remarked that he thought the agreement also provided something in indication of the fact that ADT was paid in full for whatever it did or provided. Mr. Clapp confirmed that this also was his recollection.

Mr. DeWitt, in reaching for Mr. Gaillard's binder containing copies of contracts, expressed the opinion that what

he was looking for might be in the 1905 contract. For some time, Mr. DeWitt and Mr. Clapp reviewed the 1904 and 1905 contracts, but without discovering the reference upon which Mr. DeWitt, previously, had appeared to place such great stress.

Mr. DeWitt finally referred to the second "Whereas" clause of the 1904 agreement wherein it stated that McElroy is desirous of availing himself of the established and organized district telegraph system of ADT. This, he said, was not the language of partners. He referred to the fact that under the 1904 agreement, all contracts were to be written in the name of McElroy and that ADT's sole obligation was to McElroy, under the contract. He concluded that there was no question in his mind but that the 1904 agreement constituted ADT an agent of AFP. Mr. DeWitt asked that we now refer to the 1907 agreement and, at this point, read in full the last paragraph of Article Fourth dealing with the District Company's obligation to collect all collectible rentals and charges, retaining one-half, thereof, "as and in full compensation for the material, work, labor and services furnished and performed . . ." That, said Mr. DeWitt, is the contract provision we are talking about.

Mr. Gaillard reiterated that in full understanding or interpretation of the 1907 contract provisions, it was necessary to go back to the preceding agreement between ADT and AFP in which no similar language appeared. Mr. DeWitt conceded that this was so but said that there was other language contained in the 1904 agreement which brought him to the same conclusion, i.e., that ADT was only the agent of AFP. Mr. Gaillard inquired whether Grinnell felt that it was a party to the 1904 agreement and Mr. DeWitt quickly disclaimed any such feeling on Grinnell's part.

Then where, inquired Mr. Gaillard, does anything appear in the 1907 agreement which establishes a complete partnership arrangement between AFP and Grinnell. What is there in the 1907 agreement, he inquired, specifying even who was to solicit subscribers for business. Mr. DeWitt quickly responded that he assumed ADT would do the selling but Mr. Clapp, as quickly corrected Mr. DeWitt's erroneous response in assuming that AFP, under the terms of the 1907 agreement, would continue to sell service as it heretofore had.

Mr. Gaillard remarked at the oddity of any arrangement under which partners would leave, to assumption, the question as to which of them was to perform such an important obligation as selling the service.

[fol. 2088] Mr. DeWitt thereupon inquired of Mr. Gaillard what his theory was—was Grinnell hired to supply devices and Mr. Gaillard responded that that was exactly his theory.

Mr. DeWitt said that if Grinnell had merely been hired, under the terms of the 1907 agreement, to supply devices, would it not ordinarily expect that the 1907 agreement would have put a price on the devices to be supplied by Grinnell. Mr. Gaillard reminded Mr. DeWitt that, among other things, Grinnell had been hired for the job at hand, because of its prominence in the sprinkler supervisory business. Mr. DeWitt said that he still thought that it was odd that no specific price per device had been provided in the 1907 agreement, with Mr. Gaillard indicating that the price was established, as a matter of trading, as equal to a percentage of revenue.

Mr. DeWitt suggested that participation in receipts was one test of a partnership. Mr. Gaillard conceded that this might be taken as one test of a partnership but referred to the fact that the arrangement was otherwise found frequently, in other than partnership agreements, referring to leases with rentals on a graduated scale, predicated upon some particular eventuality.

Mr. DeWitt agreed that the lease arrangement referred to by Mr. Gaillard would not be considered an uncommon one, but indicated that he found it hard to get beyond the language of the 1907 agreement which provides that ADT is to get paid in full for what it does, in concluding that ADT was the outsider in the 1907 agreement.

Mr. Gaillard observed that the whole effort was to see what was meant by the language of Article 4 of the 1907 agreement, reading this in full relation to surrounding context. He said that he had conscientiously tried to do this and had reached the conclusion that no court in the land would ever say that the language of the 1907 agreement constituted ADT an employee of AFP-Grinnell.

At least, said Mr. DeWitt, the courts, he thought, would conclude that ADT was party to a joint venture. He said,

further, that he thought the weight of evidence indicated that ADT performed its obligations under the 1907 agreement as an agent.

Mr. Gaillard promptly rejoined that Mr. DeWitt's observation did not, in any wise, answer the specific points of substance that had been propounded, leading to the contrary conclusion. If, said Mr. Gaillard, the 1907 agreement constituted a partnership between AFP and Grinnell, why didn't someone tell AFP about it. Further, why did the contract not provide for a proper division of partnership obligations, and without omitting a statement as to which of the partners was to do the selling, etc.

Mr. Clapp inquired whether it was Mr. Gaillard's theory that the 1907 agreement constituted something of a new deal made against the background of the 1904 contract, to which Mr. Gaillard responded, "Exactly", with Grinnell no party to the 1904 agreement. Mr. Gaillard asked those present to look at the 1913 agreement between AFP and ADT, which constituted a further shifting of obligations and revision of division of collections, which left AFP pretty much in the position of a coupon cutter. Throughout, observed Mr. Gaillard, the 1913 agreement refers to division of the proceeds, after consideration of what Grinnell is entitled to from the business. If McElroy, in 1913, had considered that it was engaged in any sort of a partnership arrangement with Grinnell, there certainly would have been provided in the 1913 agreement what was to happen to Grinnell's investment in 1954.

Mr. DeWitt remarked that he thought he knew what AFP had in mind when it dealt with ADT in 1913 and in 1949, rather implying that he was not prepared to say what was in AFP's mind on negotiation of the 1907 agreement. He pointed out that what ADT and AFP did in 1913 had no bearing upon the present consideration.

[fol. 2089] And yet, said Mr. Gaillard, although Grinnell had full knowledge of the negotiations between ADT and AFP leading to the 1913 agreement, Grinnell chose to disregard its position as a partner and take no steps to assert its position as such. In other words, Grinnell would have us now believe that in 1913, AFP and Grinnell were partners, but neither of them knew it or took any steps, whatever, to recognize it.

Mr. DeWitt indicated that it was entirely possible for people to be partners without knowing it. Mr. Gaillard acknowledged that this was so but indicated that, it would be singularly odd to find such a condition to exist in any important venture. Mr. DeWitt inquired why, if AFP concedes that it was not a partner with Grinnell, in the business, it did not make this point clearer in defining the division of collections, in the 1907 agreement.

Mr. Gaillard again referred to the shift of responsibilities that took place between ADT and AFP in 1913 and remarked that it was surprizing that Grinnell had said or done nothing, at this time, to assert its position as a partner. Mr. DeWitt responded that Grinnell, not being a party to the 1913 agreement, was not consulted in connection with its preparation. Nevertheless, said Mr. Gaillard, Grinnell knew all about it and has, since the date of its execution.

Mr. DeWitt inquired why Grinnell should complain of the arrangement if it was satisfied with it. What difference would it make, he inquired. Mr. Gaillard responded that if AFP and Grinnell sincerely had believed that each was the partner of the other, unquestionably there would have been consultations as to shifts in the responsibilities of one of the partners and ADT. Mr. Clapp interjected the thought that Grinnell's only concern had been with the future, and not with the immediate change in responsibilities, following 1913. Mr. Gaillard contended that any good attorney would have told Grinnell, in 1913, that any action taken by AFP and ADT which was acquiesced in by Grinnell, might be considered wholly inconsistent with Grinnell's theory that it was in partnership with AFP and lead to grave danger of disturbing whatever relationship did exist between Grinnell and AFP.

In acknowledging that was so, Mr. DeWitt admitted that if he had been consulted in 1913, he might have advised Grinnell, remarking, however, that Grinnell apparently was satisfied with the 1913 agreement and saw no need then to establish its position.

Mr. Gaillard contended, nevertheless, that Grinnell's failure to act, in 1913, was wholly inconsistent with the position it now sought to take and Mr. DeWitt inquired what would have happened if Grinnell had protested the

execution of the 1913 agreement. Mr. Gaillard responded that Grinnell perhaps could have blocked the execution of the contract or at least secured recognition of its position in the preparation thereof.

Again Mr. DeWitt indicated that Grinnell had done nothing in 1913 because it was not concerned with the action then taken by AFP and ADT because it then seemed that nothing harmful to Grinnell's interests was likely to result therefrom, thereupon admitting that, in the present controversy, ADT and Grinnell each seem in position to make forceful argument in substantiation of its asserted position.

Mr. Gaillard confirmed that each indeed understood the position of the other.

Mr. DeWitt said that he and Mr. Clapp had considered carefully the language of the Rhode Island Electric Protective Company agreement and had not been impressed that the similarity of the collection division language therein appearing and the collection division language of the 1907 agreement had any bearing upon Grinnell's presently stated position. Mr. Gaillard remarked that Grinnell must agree, in any event, that here we have a case of identical language which not even Grinnell will contend means the thing that they are now asserting against ADT. Some discussion thereupon ensued respecting specific differences between the arrangements provided for in the Rhode Island agreement and in the 1907 agreement.

[fol. 2090] Mr. DeWitt finally said that notwithstanding all that had been said, he found nothing in the 1907 agreement which negates the argument Grinnell had sought to make. Mr. Gaillard indicated that he mentioned quite a few things in the 1907 agreement and in the surrounding contracts which negated Grinnell's argument. Once again the default clause of the 1907 agreement was referred to as one which could not possibly appear in any true partnership agreement, nor did it appear that Mr. DeWitt had any real response to make to this point.

Mr. DeWitt next inquired what, in the 1907 agreement, established ADT's position, Mr. Gaillard's response indicating that there was no need to debate this if Grinnell had no interest in the business, that ADT being the only remaining party, it must enjoy full ownership and

concluding that if, as it appeared, Grinnell was an employee, under the 1907 agreement, it made little difference of whom or what it was an employee.

Mr. De Witt said, you claim Grinnell is an employee under the 1907 agreement. What language of that agreement supports your claim? Mr. Gaillard said, I've told you. Mr. DeWitt persisted in inquiring what specific language of the 1907 agreement established this contention and Mr. Gaillard responded that no simple words could be found to establish the point but that the whole context of the agreement and the preceding agreement clearly established ADT's position.

Mr. DeWitt next inquired as to Grinnell's terminal equity under the 1907 agreement and inquired what language of the 1907 agreement ADT felt established such equity. Mr. Gaillard responded that it did not appear that it was necessary to establish Grinnell's terminal equity under the 1907 agreement because of the common understanding that Grinnell simply was a supplier of material. Again was mentioned the default clause of the 1907 agreement, the failure to set out therein arrangements to be made for selling the service, the background of the relationship between ADT and AFP extending back for three years prior to the date of execution of the 1907 agreement. He reminded Grinnell that if it had then attached any importance to its partnership interest, it would have insisted upon getting something into the contract other than by way of the participation provision of that agreement.

Mr. DeWitt inquired whether the same argument might not be said to be true of AFP and Mr. Gaillard responded, no, that there was immediately under consideration only Grinnell's relationship to the others and that it clearly appeared that Grinnell was out of the picture, the 1907 agreement being merely supplemental to the 1904 agreement. Again it was reiterated that if Grinnell had intended to create a partnership such intention should have been spelled out in the agreement.

Mr. DeWitt said that he did not see that the default provisions of the 1907 agreement had any great bearing upon the question as to whether Grinnell and AFP were partners or not, remarking that Grinnell assumed, throughout, that AFP would prosper the business, to the greatest

possible extent. Again, Mr. Gaillard spoke of the default clause as being utterly inconsistent with a partnership arrangement.

Mr. Clapp referred to the default clause as merely something of a "blow up" clause stating that Grinnell wanted to be in position to get out of the business the money that it had advanced in the event the business came to nothing.

Mr. Gaillard said that this did not seem to him to be a reasonable interpretation, and that as a full partner in the business, Grinnell should have been given the right, in the event of default on the part of AFP, to require repayment from the Maine company of something more than the $85,000 originally paid by Grinnell, something representing reimbursement for all that Grinnell had put into the business up to the time of default. The reason [fol. 2091] for the phraseology of the default clause of the 1907 agreement was debated at some length, with Mr. DeWitt finally remarking that at all events, the agreement left Grinnell to declare the default.

Mr. Ward interjected that this was not so, that the 1907 agreement provided mutual default provisions but provided also, that the best Grinnell could obtain was return of its original investment of $85,000.

Starting a new approach, Mr. Clapp referred to the fact that one of the things leading up to the execution of the 1907 agreement was the necessity on AFP's part to call Grinnell in to rescue a business that had been rapidly going downhill. Mr. Ward's observation was that a business couldn't go downhill very much from scratch, pointing out that ADT and AFP had been in association for only a period of three years prior to the time that Grinnell was employed to furnish and install devices.

Again referring to the default clause, Mr. Gaillard stated that it would not be reasonable to suppose that Grinnell, as a partner, would have asked for only the return of its original investment. Mr. DeWitt responded that in the event of such default, Grinnell could have gone into the business by itself. Mr. Gaillard acknowledged this possibility but pointed out that in that event, Grinnell would have started in business without any portion of the backlog of SS & WF business built up under the 1907 contract

to the point of default. Mr. Clapp remarked that there might have been no backlog at the time of the default.

Mr. Gaillard remarked how unlikely it was that there should not have been some kind of a business backlog at the point of any default under the agreement occurring at some point of time subsequent to negotiation of the 1907 agreement and that whatever backlog it might be presumed to have been built up, Grinnell surrendered its ownership which is certainly not the sound action of a partner. The debate on this point was somewhat expanded and the discussion turned again to the commencement of the argument with DeWitt recapping Grinnell's argument in support of its position, as a partner, all as recited above.

Referring to Mr. Dewitt's statement that it might have been supposed that, if Grinnell was to be considered a supplier of equipment, the price at which such equipment was to be supplied was not incorporated in the 1907 agreement, Mr. Ward stated that ADT and AFP long had realized that Grinnell's service had been bought at too high a price. That, said Mr. Ward, was the whole point of recent negotiations. He observed that Grinnell and ADT probably felt the same way about AFP's participation. However, he remarked, the SS & WF business had small beginnings and that, in those days, an agreement to pay a percentage of collections received, was something that all parties felt could be risked.

Mr. Ward observed that it had been said, by Grinnell, that Grinnell had been brought into the business as a partner. This, said Mr. Ward, was not as we understood it. When Grinnell joined the picture in 1907, ADT and AFP each gave up a proportion of receipts in order to bring the arrangement about. If ADT had been nothing but an agent, it was more than passing odd that the agent would be asked to contribute toward any charge in the existing arangement. Mr. Ward related that, at the inception of the SS & WF business, McElroy was in possession of the patents, but had not much in the way of facilities required to produce the devices it was obligated to furnish. The venture, initially, had not been going ahead very fast, whatever selling was done was done not by AFP but by ADT. There apparently was necessity for AFP, in order

to fullfill its obligations to ADT, under the 1904 agreement, to commission Grinnell to furnish and install devices.

Mr. Ward commenting upon the importance that Grinnell had placed upon the 1907 specification as to what ADT was called upon to do for which it got paid, remarked that the 1907 agreement contained a similar specification as to what Grinnell was to do. He concluded by observing [fol. 2092] that the entire question of contract interpretation was one that would have to be left to the attorneys.

Mr. Fleming inquired, "Where do we go from here, since the attorneys indicate there is no legal possibility of going ahead under the present arrangement". Mr. Gaillard responded that he had felt it was legally impossible to go ahead, and that no alternative had appeared except for certain palliative arrangements of relatively short duration and that he could see no possibility of working out arrangements that would be considered satisfactory to both parties over any extended period.

Mr. DeWitt inquired whether any positive antitrust claim had been made against ADT. Mr. Gaillard responded, no. Mr. DeWitt inquired, further, whether we feared or knew of any threat of pending antitrust attack. Again, the answer was, no.

Mr. DeWitt then inquired whether it would not be possible to ask the Department of Justice for an opinion in the matter. Mr. Gaillard remarked that in even thinking of such action, Mr. DeWitt was bolder than he was.

Mr. DeWitt then inquired whether Mr. Gaillard would consider asking the Department of Justice for an opinion. Mr. Gaillard responded that he would want to think about this most carefully, that the results might be catastrophic. You might, said Mr. Gaillard, get no decision, but might start proceedings that would have unknown results and might succeed in putting an end to the present arrangement.

Mr. DeWitt observed that whatever the antitrust action did in the way of putting a stop to the present arrangement would apply only to the business to be conducted during the next three years and Mr. Gaillard replied that this probably was true.

Mr. DeWitt inquired as to the possibility of criminal action in the event the Department of Justice was ap-

proached and Mr. Gaillard said that this was a distinct possibility, referring to the criminal proceedings instituted in the Gamewell case.

Mr. Ward recited something of the developments of the Gamewell case in which all parties pleaded nolo contendere. He said he thought that he had always considered ADT not guilty of any antitrust association with Gamewell and remarked that Gamewell probably thought itself in the same position, the Department of Justice, however, thinking differently. Mr. Ward spoke of the general propensity to settle suits of this sort rather than to sustain the cost of the defense. Recited was the action taken to find Gamewell in contempt of the rulings of the Department of Justice which had resulted in pretty much of a new organization for Gamewell, now operating under severe restrictions on doing business. The Department of Justice action, in this particular case, said Mr. Ward, had been vital to Gamewell. Spoken of was the impossibility of Gamewell sending out bids, etc., without notifying about thirty competitive organizations, under the direction of the Department of Justice. Mr. Ward left no doubt there should be considered, very seriously, any possible antitrust action.

Mr. DeWitt inquired whether, in the event it could be conceded that some sort of a partnership existed, ADT would consider that we could safely go along in business with Grinnell under something of the existing arrangement. Mr. Gaillard responded that he did not feel that we would be safe, even in that event, in continuing the old association with Grinnell.

Mr. Clapp wanted to know, in that event, how much nearer Mr. Gaillard would consider we were to treading in a "safe zone" and Mr. Gaillard responded that it was his present thinking that we would not, even in the eventuality recited by Mr. DeWitt, be operating in a safe zone.

Mr. DeWitt said he was firmly of the belief that in the event it could be said Grinnell was contributing to a partnership venture and not contributing as an exclusive supplier [fol. 2093] of material, no antitrust aspect would be involved, Mr. Clapp observing that if this position was sound, it should be possible for ADT and Grinnell to confirm the partnership arrangement now.

Mr. DeWitt observed that if there was any way in which

the arrangement could be considered of a partnership nature, he felt that we were wasting time in consideration of the antitrust aspect. He admitted that he would not be frank if he did not admit that the 1907 contract contained ambiguities. He reiterated that in the event of inability to get together, the court, in 1954, would have to appoint a receiver to conserve the interests of the litigants. In the meantime, pointed out Mr. DeWitt, subscribers to SS & WF service would be left in doubt of position. All this, remarked Mr. DeWitt was sufficient he felt, as a businessman and not as a lawyer, to give ADT something to think about. He said that while there had been some confusion throughout the series of discussions with ADT, Grinnell was determined to maintain its position as a partner, and whatever happened, to stay in the SS & WF business.

Mr. Ward commenced some observation relating to Mr. DeWitt's reference to staying in business whatever happened, when Mr. Fleming quickly interjected that this was not so, commenting upon the extent to which, throughout, Grinnell had been willing to negotiate all questions involved under the 1907 agreement, how all of these negotiations had been conducted at ADT's offices. Referring to Mr. DeWitt's comment respecting staying in the SS and WF business, Mr. Fleming said that all that Grinnell wanted was to be assured of some SS & WF business.

Mr. Ward said that this sounded very well and that while Grinnell did not owe ADT any explanation, he referred to the fact that ADT had been told of Grinnell's actions to acquire certain of its recent purchases, only after the purchases had been consummated. He remarked that Mr. Fleming previously had told us that Grinnell bought the business of the Automatic Fire Alarm Company to prevent this from getting into Mr. McDowell's hands. Now, said Mr. Ward, the statement is made that the acquisition was made to insure that Grinnell got at least some SS & WF business. Reference was made to Grinnell's purchase of the Holmes Company and its statement, at that time, that the Holmes Company was able to compete with ADT in all places and with respect of all classes of service. He said that Mr. Fleming's ideas, as expressed by his recent actions, presented a long term handicap to ADT.

Aside from Grinnell's recent acquisition actions, Mr.

Ward again related something of the course of our negotiations with Grinnell, commencing from the consideration that Grinnell received too much for what it did and in the belief that discussion could quickly determine for both parties whether this were so or not. Grinnell had been asked, initially, to tell us what it believed it cost that company to participate in the sprinkler supervisory business and what sort of return that company's 25% participation in gross receipts yielded. We had encountered reluctance, throughout, on the part of Grinnell Corporation to cooperate, and, in consequence, had been forced, throughout, to make our own estimate of Grinnell's annual expenditures in connection with the business. Mr. Ward pointed out that, in preparing our estimate, we were not without some source of reference, since we do buy devices from Grinnell for replacement purposes, and do pay that company for current installation work in connection with outright sales.

The extent of our efforts in preparing figures to serve as the basis for discussion was pointed out by Mr. Ward, who remarked that, in return, we received nothing back from Grinnell. Reference was made to Mr. MacDonald's visit to Rison in an effort to learn something of Grinnell's historic investment cost and to supply some sort of a check upon replacement investment figures supplied by Grinnell, without much success. In the meantime, while ADT was busy with the figure Grinnell appears to have been busy in its acquisitions of the capital stock of the Automatic Fire Alarm and Holmes Companies. Mr. Ward remarked that Grinnell appeared to have stayed away from us, for long periods, during the time that company was engaged in making these acquisitions Mr. DeWitt commented that ADT, also, had been busily engaged in buying out McElroy, with Mr. Ward rejoining that this was done with Grinnell's full knowledge. It was stated, by Mr. Ward, that ADT had tried to purchase the properties of the Automatic Fire [fol. 2094] Alarm Company but was unable to do this, because of AFP involvements, the business, going, in the meantime, to Grinnell. Mr. Ward said that both companies appeared to be in about this position. It would be entirely possible, from a mathematical standpoint, to bargain as to what ADT and Grinnell should be entitled to receive for participation in the SS & WF business, but it appears that,

as far as ADT is concerned, no proposal can be advanced which will satisfy the antitrust question, so that, obviously, ADT is not free to bargain with Grinnell as it otherwise might be inclined to. Each party has asserted its belief in its 1954 legal position and it does not seem possible for either to do anything but rely upon the advice of the attorneys hired to furnish such advice.

At this point, Mr. Gaillard said that if Grinnell's attorney would furnish him with an outline of the form of contract he had in mind, which appeared to Mr. DeWitt sufficiently proper under the provisions of the antitrust statutes, which either could be submitted to the attorney general for an opinion, or otherwise considered thoroughly legal in all respects, to Mr. DeWitt and himself, he would be glad to consider it. Mr. DeWitt responded that he would be glad to furnish such an outline.

Mr. Fleming remarked that he hoped it would not take the attorneys another year and three months to prepare the proposed outline.

Mr. DeWitt commented that he and Mr. Gaillard might come to the conclusion that what was in mind could not legally be done, in which event, the principals of the two companies would be wasting time in further negotiations. He remarked that if Mr. Gaillard was right, the two companies had been violating the antitrust statutes since 1907 and Mr. Gaillard responded that that was his opinion, in the light of recent court developments. Mr. DeWitt, drawing a distinction between the business done by ADT and Grinnell throughout the entire United States, and the business conducted in the Richards territories, said that he felt that the only thing that bothered him, particularly, from an antitrust standpoint, was the division of territories embraced in the six party 1907 agreement.

Mr. Ward referred to the increasing competition in the SS & WF field which was becoming extremely difficult to fight. He remarked that it would not be reasonably practical to enter into any future arrangement with Grinnell which would imply a partnership on any basis which would effectively turn the business over to competition. He said that any arrangement which it might prove possible for the attorneys to work out, within the framework of the existing statutes, must call for smaller compensation to

Grinnell for what it does. Mr. DeWitt inquired, "How about some smaller compensation for ADT" and Mr. Ward responded that we did not feel that ADT was in any wise overpaid for the services it performed.

It was agreed that the attorneys would get together on the possibilities referred to by Mr. DeWitt.

In conclusion, Mr. Ward remarked that it did not appear there was much use for himself and Mr. Fleming to discuss matters until the attorneys concluded their deliberations. In the meantime, Mr. Ward spoke of the manner in which Grinnell appears to be extending itself, in competition with ADT, giving reference to the use by the Automatic Fire Alarm Company of the products of Protectowire Company. He said that this might be considered good business for the Automatic Fire Alarm Company but that Grinnell should not lose sight of the fact that Protectowire presented a picture of stern competition with ADT, the country over. Mr. Fleming and Clapp disclaimed knowledge of developments involving the use of Protectowire by the Automatic Fire Alarm Company.

Mr. Fleming, apparently seeking to show that Grinnell had not engaged in deliberate planning to enter into competition with ADT, after 1954, remarked that Grinnell had purchased the capital stock of the Automatic Fire Alarm Company simply to offset the probable reduction in its SS & WF participation, following 1954, since it knew of ADT's belief that Grinnell's participation in the SS & [fol. 2095] business was too high. Mr. Fleming said that the purchase of the Holmes Company was made for precisely the same reason. Mr. Ward remarked that we had had information that Grinnell had sought to purchase the capital stock of the Dominion Electric Protective Company. Mr. Fleming acknowledged that this was so but pointed out that the Dominion Electric Protective Company did not compete with ADT. Mr. Ward referred to the information we had received to the effect that Grinnell either had opened or planned to open a central station in Toronto, Canada for the purpose of establishing a training ground for central station operators who might be employed in competition against ADT and Mr. Fleming said that it was true that if Grinnell and ADT could not get together, in some continuing arrangement to extend

beyond 1954, Grinnell planned to stay in the sprinkler supervisory business. Mr. Ward inquired whether Mr. Fleming did not feel that all Grinnell's actions, in this respect, had been somewhat premature, observing, also, that we had received a report that Grinnell had been anxious to acquire the property of the Rhode Island Electric Protective Company.

Mr. DeWitt referred to ADT's purchase of the interests of the AFP as paralleling, somewhat, Grinnell's acquisition actions but Mr. Gaillard pointed out that this was an entirely different matter, and that in acting as it did, to acquire the interests of the AFP Company, ADT was interested in clearing the future for all concerned.

J. A. MacDonald, October 8, 1951

CCs: Mr. E. A. Ward, Mr. E. Gaston, Mr. W. D. Gaillard, Jr.

[fol. 2096] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 86

Individual Attention of:

Mr. J. D. Fleming, President

November 15, 1951.

Roger T. Clapp, Counsel

ADT Matter

Dear sir:

As you know, Mr. DeWitt and I met yesterday in New York with Mr. Gaillard, Mr. Pfeiffer and Mrs. Cutler in Mr. Pfeiffer's office.

The greater part of the meeting, which occupied a little over two hours, was taken up with a legal debate of the antitrust aspects of the Grinnell-ADT relationship with the expected result that neither party would change its position. We did take occasion to repeat our position that if the parties had come to no agreement by 1954, the situation did not simply mean that Grinnell would be compensated for its actuating devices (which prompted a remark by Mr. Gaillard, on which he did not further elaborate, that

he was not sure that Grinnell owned the actuating devices). We asserted that in this contingency, after 1954—

(1) Assuming their position that ADT occupied a monopolistic position as to ownership of central stations, ADT could not safely refuse to grant to Grinnell, or for that matter to any other concern, the use of their central station facilities to operate contracts taken for central office protective service.

(2) That Grinnell would claim to be entitled to participate to the extent of 25% in the rentals from all central office supervisory contracts then in force for the duration of any such contracts or any renewals of the same.

One interesting remark was a question by Mr. Gaillard as to whether we thought the same situation would result as to rights of others if Grinnell should own ADT 100%. Our reply was that, assuming the ADT is now a monopoly, they would continue to be such if we should own them, with any implications that might follow from this.

[fol. 2097] Mr. DeWitt and I are planning to prepare a detailed memorandum of the conference. This memorandum is limited to something that occurred at the very end of the meeting—in fact after Mr. Pfeiffer had indicated that so far as he was concerned the meeting was over.

I addressed both Mr. Gaillard and Mr. Pfeiffer, stating that, as I assumed Mr. Gaillard would agree in that he had sat in on ADT-Grinnell conferences for the better part of the year, at the time the antitrust objections were first raised both parties had indicated their bona fide desire to continue their relationship and had tentatively agreed on certain of the terms of the new agreement with the sole exception of the percentage of Grinnell's participation, which had not been settled. I pointed out that what we were now contending for was not what Grinnell alone wanted, but what both parties wanted. I remarked that they had turned down both the arrangement that had been taking shape and the two suggested modifications of the same proposed by us and that we had asked Mr. Gaillard in advance of the meeting whether they would not be prepared with some constructive suggestion as to how far

they felt the parties could go along the lines they wanted to go.

Mr. Gaillard replied that he had already advised me over the telephone as to his suggestion and that he had not repeated it at the meeting in that he assumed that this would not be attractive to Grinnell. However, I asked him to repeat it, which he did as follows.

He felt that ADT should be free to secure actuating devices from any source it pleased or to manufacture the same itself. He did feel, however, that ADT would be safe in making an agreement of not over five years' duration with Grinnell for installation by Grinnell of supervisory devices on Grinnell sprinkler systems on the basis of participation in the contract revenues, provided ADT was able and was prepared to offer the same arrangement to any other sprinkler company with respect to devices to be installed on their respective sprinkler systems.

I asked Mr. Gaillard why he limited the other companies ADT could deal with to sprinkler companies rather than to anyone who was interested, such as a plumber, and what bearing the make of the sprinkler system had on the question. His answer was to the effect that the other sprinkler companies were the concerns whose rights would be adversely affected by the continuation of the present arrangement under which ADT would have to deal exclusively with Grinnell. I remarked that all this amounted to was a solution that would appease all potential objectors, which he denied.

[fol. 2098] I had in mind, of course, exactly what he had in mind; namely, that complaints made by competitive sprinkler companies have, we know, been along two lines:

(1) A general complaint that under the existing arrangement Grinnell had a lucrative source of revenue from operations connected with sprinkler systems, in which they did not share.

(2) That some of them specifically objected to having Grinnell sprinkler fitters come to their customers to install supervisory equipment on their sprinkler systems, in the course of which business contacts might be made and the Grinnell workmen might adversely criticize other types of sprinkler installation than our own.

With the above in mind I then asked Mr. Gaillard what he had in mind by stating that he felt that the ADT would be reasonably safe in making an arrangement with Grinnell regarding Grinnell systems if they offered the same deal to other sprinkler companies with respect to their systems. I pointed out that under the present arrangement Grinnell, in return for its participation, performed essentially three distinct services: (1) producing and furnishing supervisory devices; (2) installing supervisory devices; and (3) furnishing technical assistance in research, device design, etc., and other forms of co-operation in solving our mutual problems.

I then asked him what would happen if, for example, the Star Sprinkler Company (I used this name because he repeatedly used Star as an example) were prepared to and wanted to install supervisory devices but were not prepared either to furnish devices or render technical services. He replied that he thought such an arrangement could be made.

I then suggested that, to be specific, we arbitrarily assume that a fair participation for performing all three services was 20% and suppose it was agreed that "X"% of this total was allocable to furnishing devices, "Y"% to installing devices and "Z"% for rendering technical services. In such case, the Star Company, having taken on installation only, would be entitled to participate to the extent of "Y"%. Mr. Gaillard immediately said that he thought so. Neither Mr. Pfeiffer nor Mrs. Cutler made any comment.

[fol. 2099] Not wishing to disturb this situation, and not knowing how this might appeal to you, I did not pursue this further, and the meeting ended almost immediately. They did not suggest, nor did we, that any future meeting of this group be arranged.

[Roger T. Clapp], Stipulation No. 1

[fol. 2100] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 87

Individual Attention Of:

Mr. J. D. Fleming, President
Roger T. Clapp, Counsel

January 5, 1952

ADT Matter

Dear Sir:

For your information, I am summarizing in this letter the travel of the matter involving the legal objections made by Mr. Gaillard and his associates with reference to the proposed renewal of our ADT contract.

As you will recall, Mr. Gaillard had sat in at various conferences we had in Mr. Ward's office for the better part of a year prior to June 1950, including the various meetings at which we had presented to each other memoranda regarding our respective positions, without having taken any essential part in the discussions and without having ever raised any question as to the legality of the deal that was shaping up.

At the meeting in Mr. Ward's office in June 1950, Mr. Gaillard for the first time stated that he had grave doubts as to the legality of the proposed extension agreement under the federal anti-trust laws, and it was thereupon suggested that further discussions between you and Mr. Ward be suspended pending discussions between Mr. Gaillard and me.

As you know, all of us were taken completely by surprise by this position and Mr. Gaillard had very little to say at the time with reference to the specific grounds on which he questioned the deal.

After returning to Providence, I exchanged some correspondence with Mr. Gaillard chiefly dealing with the "interstate commerce" aspect of the case, in which connection I also asked him whether he could not elaborate on what was disturbing him anti-trustwise. His reply to this (written as he was leaving on vacation) was brief and to the effect that the contract with its "mutual assistance" clause gave Grinnell an advantage over our

competitors in that we could underbid them on sprinkler systems looking toward obtaining a participation in the supervisory contract to follow.

I then wrote to Mr. Gaillard's partner, Mr. Pfeiffer, repeating my request for an elaboration of their position and discussing at some length various possibilities. Mr. Pfeiffer's only response to this request was to send me a list of court cases for me to study.

[fol. 2101] It was only at my first meeting with Mr. Gaillard and Mr. Pfeiffer and their assistant, Mrs. Cutler, that there first clearly appeared to me the principal theory under which they were proceeding; namely, that the 1907 agreement as between ADT and Grinnell involved a so-called exclusive dealing contract under which ADT for a long period agreed to procure its entire requirements of actuating devices solely from Grinnell. This is covered by a specific section of the Clayton Anti-trust Act, which essentially makes exclusive dealing contracts to purchase or lease merchandise illegal if they substantially affect commerce; that is to say if their effect is to withdraw from the competitive market a substantial portion of the supply of any given commodity.

Throughout the various discussions I had with them, Mr. Pfeiffer, who was said to be the antitrust expert of their firm, consistently took a flat position that the present contract was clearly illegal and that any renewal of the same would be similarly illegal. Although I asked him frequently, he never advanced any constructive suggestion as to what might be legal, other than saying that it would obviously be a legal arrangement if ADT were free to acquire actuating devices from whomever they pleased on the same terms as they acquired them from Grinnell.

I had the impression that Mr. Gaillard, however, was somewhat prepared to be helpful in reaching a solution. At one point I suggested, after discussing it with you, the possibility that ADT continue to procure its actuating devices from Grinnell on a participation basis but would not be bound to secure its entire requirements from Grinnell but that by the same token there would be no expressed or implied understanding that Grinnell could not, if it saw fit, compete with ADT. For a time Mr. Gaillard seemed to think that this might be a solution and argued our side

of it, but Mr. Pfeiffer again dismissed this idea as unacceptable.

Finally, following a telephone conversation in which Mr. Gaillard advised me that they could see no way in which a deal could be made, we enlisted the help of Mr. DeWitt, who evolved and presented a somewhat new approach, which, however, made not the slightest impression on Mr. Pfeiffer but which obviously did disturb them because of its implications as to the terminal rights of the parties in 1954 if no agreement were made. This last came up at the very end of the meeting when Mr. Gaillard stated that he assumed the next thing to do was to decide on what basis ADT would purchase the Grinnell devices in 1954, which forced us to reply that the answer was not that simple as we claimed other terminal rights beyond simply device ownership.

[fol. 2102] Shortly after this meeting Mr. Gaillard telephoned me to ask whether I seriously believed in the end results which Mr. DeWitt said would flow from his partnership theory. I told Mr. Gaillard that we were wholly serious in this, and he then asked me what I thought he should do next. I suggested that it might be well to report the situation to his clients.

Nothing more transpired until what turned out to be our final meeting with Mr. Ward and at which Mr. Gaillard and Mr. DeWitt were present, which you of course recall.

Following this, Mr. DeWitt and I met Mr. Gaillard at lunch and advanced another possible solution, which Mr. Gaillard said he would consider, after which he would arrange a meeting at his office.

It is to be noted that throughout our contacts with Mr. Gaillard alone he has continually stressed the fact that he is not a specialist in the anti-trust laws and looked to Mr. Pfeiffer to guide him in this respect.

Subsequently Mr. DeWitt and I met Mr. Gaillard, Mr. Pfeiffer and Mrs. Cutler at their office, at which time Mr. Pfeiffer abruptly turned down our new suggestion.

As you know, our agreement with ADT has been discussed at various times with various outside attorneys. Back, I believe, in 1941, Mr. Grinnell authorized me to have the series of our ADT contracts reviewed by my late partner, Mr. Tillinghast, to secure a general opinion from

him as to what they meant, having in mind their expiration in 1954. Although I did not specifically ask Mr. Tillinghast for an opinion as to any anti-trust aspects in that I saw none myself, nevertheless his opinion was comprehensive and made no reference to any anti-trust problem. I have on a number of occasions discussed the contracts and various aspects of them with Mr. Irving Smith, attorney for the Automatic Fire Alarm Company, and with Mr. DeWitt, neither of whom ever raised any anti-trust question.

I will be frank to say that the possibility of there being an anti-trust question involved, at least in the main agreement between ADT and Grinnell, never occurred to me. Far less did any question ever occur to me that any illegal exclusive dealing was involved. I did, frankly, question that there might be a possible problem along these lines by reason of the non-competitive clauses in the agreement between AFA and ADT, unless these were justified by what amounted to a partnership arrangement regarding the handling of supervisory contracts in AFA territory. [fol. 2103] Further, based on Mr. Gaillard's statements that they were concerned as to possible claims by our sprinkler competitors that Grinnell's ADT relationships gave Grinnell an unfair advantage, it is difficult to see how any agreement between ADT and AFA as to non-competition would concern our sprinkler competition in any way. Finally in view of the extent to which Grinnell now owns and controls AFA it is equally difficult to see how a sprinkler competitor of our could legitimately complain that Grinnell was the exclusive supplier of one of its own subsidiaries with respect to an item we manufactured and they needed.

Although I of course knew that ADT controlled a substantial portion of the central office sprinkler supervisory business in the country, I had never, frankly, considered their position as monopolistic largely because of the very nature of their operations under which, as you know, equipping and maintaining a central office is expensive and requires a considerable volume of business to support, as a result of which once there was an established central office company in any locality it would be in most cases unprofitable for a competitor to establish a rival station.

I can personally say—and entirely honestly—that even after full disclosure of the theories of Messrs. Pfeiffer and Gaillard, I still cannot see that there is any substantial anti-trust problem involved under the circumstances of either the existing ADT-Grinnell agreement or its proposed renewal if for no other reason than that this is not an ordinary commercial transaction, but a real joint venture in the nature of a partnership. I am not unmindful of the attitude of the Government in cases such as the Aluminum Company, which was charged with being an illegal monopoly simply because it was big, and accordingly that any company controlling the proportion of business in any particular field that ADT does can theoretically be charged with being a monopoly. On the other hand, there are a number of instances where competitors of ADT are established in the same locality, such as Potter Signals, and are apparently able to do a profitable business, which would tend to show that any claimed monopolistic position of ADT does not result in extinguishing competition in any areas where competitors choose to operate. Nor can I see any ground on which it could be claimed that ADT's arrangements with Grinnell in the furnishing of actuating devices in any way contributes to their maintenance of a monopolistic position or gives them any superior advantage over competitors who do not have similar arrangements.

Finally I must say that I have never been able to see at all their contention that the revenue Grinnell derives from supervisory gives Grinnell an unfair advantage over [fol. 2104] our sprinkler competitors in obtaining sprinkler contracts. It would be one thing if Grinnell were in an exclusive position to offer customers a sprinkler system with ADT supervisory service, which we are not. If the very few cases I have ever heard of where a customer has requested this ADT has freely quoted to any of our competitors who requested it the same price for central office service it has quoted Grinnell. ADT has certainly never felt obligated by the "mutual assistance" clause to refuse to quote our competitors in such cases. Further, as you know, it is an unquestioned fact that our sprinkler contracting people never take into account in quoting customers the possibility of an ADT contract to follow. They are not generally aware of the terms of our ADT contract

nor as to how we participate and certainly have no information as to what our net revenue might be on any particular central office job. Further, for extra compensation and other purposes, they are interested in making a good earnings record for their offices and no credit is allowed to their offices if a supervisory contract follows a sprinkler job.

This argument accordingly boils down to the claim that Grinnell has an unfair advantage over its sprinkler competitors because it has a source of revenue they do not have, of which we make absolutely no improper use. Further, we have other sources of revenue they do not have (e.g. industrial piping, supply sales, etc.) and if we wanted to embark on a program of bidding sprinkler systems below cost to eliminate competition we have ample other revenue from sources entirely unrelated to sprinkler work to finance such a campaign.

Yours very truly, [Roger T. Clapp], Stipulation No. 1, Counsel.

RTC:W

[fol. 2105] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 88

Memorandum of Conference at Mr. Ward's Office
American District Telegraph Company

June 9, 1948.

Present: Messrs. E. A. Ward, J. A. MacDonald, E. Gaston, J. D. Fleming, C. H. Rison and Roger T. Clapp.

The conference was arranged to continue discussion regarding renewal of the Supervisory Contract with the A.D.T. after 1954.

Mr. Fleming opened the discussion by presenting Mr. Ward with figures showing over a ten-year period the increasing percentage of total sprinkler business taken by Grinnell as compared with our major competitors and all others, supported by report of heads produced in 1941 by all companies submitted to the War Production Board during the war.

Mr. Fleming was frank to say that while the Grinnell figures on this chart were accurate, the figures as to business taken by competitors were based on reports from our field people and that it was of course possible that they might not have known of some business taken, particularly small local jobs taken locally by plumbers on a non-competitive basis.

Mr. Fleming then reviewed the history of recent negotiations, pointing out that Mr. Ward had originally suggested a basis for a fair return to Grinnell, after taxes, on their investment in devices, computed at replacement cost, and that we had reviewed these figures and had spent considerable time computing figures and substantiating the same indicating actual replacement cost, which we had presented at our last meeting. Mr. Fleming said that it was his understanding that, following the last meeting, Mr. MacDonald was to have gotten in touch with Mr. Rison to check our replacement cost figures and to review theories on which they were computed. Mr. Fleming pointed out that, instead, they had suggested proceeding on the basis of historic cost—i.e., actual cost less depreciation—to arrive at Grinnell's investment figure.

Mr. Fleming indicated that while we might have reached a satisfactory result based on their original theory of using replacement cost, the use of our historic cost figures would not produce an acceptable result so far as we were concerned.

Mr. Ward then spoke at length regarding the operations of the A.D.T. Company, their financing problems, their problems of pricing both at levels to meet competition and [fol. 2106] so as not to price themselves out of the market, and their mounting labor costs. He pointed out that they were essentially a service organization and that labor accounted for some 70% of their costs. He quoted figures, in reply to a statement by Mr. Fleming that they apparently did pretty well on their investment, and quoted figures from their 1947 statement. He incidentally stated that they owned no real estate, therefore their plant investment was entirely equipments in customers' premises and at central stations. He referred again to their problems in dealing with the Automatic Fire Protection Company looking forward to 1954.

Mr. Fleming stated that, basically, the problem was to arrive at an acceptable percentage of revenues paid to Grinnell, and stated that we would be prepared to consider some reduction below our present rate of 25% and asked whether Mr. Ward would be prepared to consider some higher percentage than the 15% he initially suggested. In answer to this Mr. Ward stated that he might be willing to go higher than 15% provided he could substantiate and justify this before his Board of Directors.

Mr. Fleming suggested the possibility of a short extension, on the assumption that they might not reach an agreement with the Automatic Fire Protection Company by 1954, to be effective until these matters were straightened out. Mr. Ward simply said that this was an idea worth considering, and pointed out that if they came to no agreement with the Automatic Fire Protection Company our continued participation would be limited to one-half of all existing contracts and equipments which the A.D.T. would own in 1954 pursuant to their 1913 agreement with the A.F.P. Company. He stated again that they were prepared to recognize Grinnell's ownership of the actuating devices installed, and pointed out that the A.F.P. people had a theory in which they were prepared to question this, at least so far as half of the business and equipments they were entitled to, in 1954.

Regarding the apparent impasse between using replacement cost and historic cost to measure Grinnell's investment, the point was made that, supposing Grinnell were prepared to sell its installed devices to the A.D.T. Company, Grinnell obviously would not be prepared to sell these at its historic cost, nor would the A.D.T. be prepared to purchase the same at full replacement cost and that if such a sale were negotiated the actual price would undoubtedly be somewhere inbetween these figures. This was not questioned and the possibility was accordingly suggested that for the purpose of arriving at a basis for valuation of Grinnell's investment on which to compute a fair return an attempt might be made to see what would hypothetically be the selling price of all installed devices from Grinnell to the A.D.T.

[fol. 2107] Mr. Ward stated that the A.D.T. might con-

sider actually buying Grinnell's devices. He had also stated earlier that they would be prepared to consider a basis after 1954 of their subcontracting to Grinnell the furnishing for installation all actuating devices on a cost-plus basis. Mr. Fleming stated that we would probably not be interested in this.

Early in the discussion Mr. Fleming stated that in line with their suggestion that both sides be frank he did not feel that Grinnell would be prepared to go completely out of the Supervisory business in 1954 even if no agreement were reached with the A.D.T. Company, as we very definitely had in mind in such contingency and were preparing now to go into the central station business generally, including both Supervisory, Burglary, etc. service if this became necessary, although we would still much prefer to renew our arrangements with the A.D.T. on a fair basis. He stated that we would not, of course, be prepared immediately to go into this business on a national scale but that we would probably begin by selecting various points to install central stations and solicit business. He referred to investigations already initiated to determine the possibility of the use of radio or automatic telephone equipment. Mr. Ward spoke at length on their investigation of radio and other methods, and said that to date they had turned up nothing that was as safe and as cheap as the methods now used and that their current radio investigations were pretty much limited to communication with their runners' cars.

Mr. Fleming finally made the suggestion that we go back to what had been originally planned and have Mr. MacDonald get in touch with Mr. Rison to review our device investment figures and to explore all possibilities of various bases for computing such investment. Mr. Ward said that in this connection they would want to review both our replacement cost data and our historic cost figures—i.e., actual installation cost less depreciation—which he assumed could be readily taken from our books. No reference was made to Mr. MacDonald's discussing with Mr. Rison or checking our figures regarding profit and loss on Supervisory business. At first Mr. Ward said nothing to this suggestion, but when it was repeated agreed

to it. Mr. MacDonald advanced no suggestion as to when he would be prepared to meet Mr. Rison, which was left that we would get in touch with him probably within the next two weeks.

At this point the meeting adjorned.

Roger T. Clapp, Secretary and Counsel

RTC:W

June 11, 1948.

[fol. 2108] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 89

Agreement Dated December 29, 1952 between Grinnell Corporation, American District Telegraph Co. (N.J.), and A.D.T. Controlled Companies.

[fol. 2109] December 29, 1952.

Grinnell Corporation,
Providence,
Rhode Island.

Dear Sirs:

This will confirm the agreement between your company ("Grinnell") and the undersigned American District Telegraph Company ("ADT") and ADT Controlled Companies, as follows:

1. *Definitions.* The terms defined in Exhibit B hereto which are used herein shall have the meanings assigned to such terms in said Exhibit B, except that "Service Contract" shall mean any contract for Supervisory Service (in localities in the United States other than the Four Cities) in respect of which Grinnell is entitled to one-quarter of the collectible rentals and charges under Article FOURTH of the 3-party Agreement. Nothing in this agreement shall affect the rights and obligations of the parties with reference to central station sprinkler supervisory and valve alarm service in the Four Cities.

2. *Sale to Grinnell of ADT Replacement Devices.* ADT hereby agrees to cause the ADT Controlled Companies

severally to, and the ADT Controlled Companies hereby severally agree to, sell, assign and transfer to Grinnell, and Grinnell hereby agrees to purchase from them, severally, for the aggregate purchase price of $677,061.10, all the Replacement Devices which ADT and the ADT Controlled Companies have respectively installed pursuant to the 3-party Agreement, from the date thereof to the date hereof, and which now remain installed.

The allocation of said aggregate purchase price to the several ADT Controlled Companies, in proportion to their respective interests in such Replacement Devices, is set forth in Exhibit A hereto.

Bills of sale, in form satisfactory to Grinnell, covering said Replacement Devices have been executed and delivered to Grinnell by the several ADT Controlled Companies, [fol. 2110] simultaneously with the execution of this agreement, against payment of said aggregate purchase price to the several ADT Controlled Companies in the proportions indicated on Exhibit A, the receipt of which is hereby acknowledged.

3. *Obligation with respect to Furnishing Actuating Devices.* Throughout the balance of the term of the 3-party Agreement and notwithstanding anything to the contrary contained therein,

(A) Grinnell agrees to furnish at its own cost and expense all Replacement Devices needed by ADT Controlled Companies with respect to Service Contracts, such Replacement Devices to be substantially of the same types and models as the devices replaced, except as may otherwise be mutually agreed by Grinnell and ADT.

(B) In lieu of furnishing such Replacement Devices as the same are from time to time needed, Grinnell shall furnish the same as and when ADT shall notify it that, during a specified period and for the purpose of replacement in the installations under specified Service Contracts, Replacement Devices of specified types and models were needed and were installed by ADT Controlled Companies; and upon receipt of each such notice, Grinnell shall, at its sole cost and expense, deliver devices of corresponding types and models at such points as may be specified in the notice. ADT

may so notify Grinnell at any time, and shall so notify Grinnell at intervals of not more than 3 months.

(C) All Actuating Devices for which Replacement Devices are installed shall be removed by the particular ADT Controlled Company and shipped to Grinnell, at convenient intervals of not more than 3 months, freight collect, at such location and by such carrier as Grinnell shall from time to time specify; and all Replacement Devices installed shall forthwith become the property of Grinnell.

[fol. 2111] (D) Upon the discontinuance of service under any Service Contract, Grinnell shall be obligated, at its expense, to remove and dispose of the Actuating Devices installed in connection therewith, and if Grinnell does not remove the same within 60 days after notice from ADT that service has been discontinued and that the transmission boxes and other items of salvageable ADT equipment have been removed, the particular ADT Controlled Company shall have the right, at Grinnell's expense, to remove and ship the same to Grinnell.

4. *Accounting during Balance of Term of 3-Party Agreement.* ADT may at any time during the balance of the term of the 3-party Agreement notify Grinnell of its desire to change the basis of monthly payments to Grinnell from a cash collection to an accrual basis; and in the absence of any such notice, the basis of monthly payments shall be so changed as of February 1, 1954, for the remainder of the term of the 3-party Agreement, namely, for the period from February 1 to February 18, 1954. In the event ADT so notifies Grinnell, then each payment thereafter due and payable (or, in the absence of any such notice, the payment due and payable for the period from February 1 to February 18, 1954) to Grinnell pursuant to Article FOURTH of the 3-party Agreement shall be 25% of the service charges which were due and payable during the preceding calendar month (or during the period from February 1 to February 18, 1954) plus, in the case of the first payment due to Grinnell after such notice (or, in the absence of any such notice, the payment due to Grinnell for the period from February

1 to February 18, 1954), 25% of all past service charges due and payable but not in fact collected or received or written off as uncollectible prior to the preceding calendar month (or prior to said period); provided, however, that as and when in any calendar month, from time to time, write-offs or collections of the character referred to in clauses (1) and (2) of paragraph (C) of Article II of Exhibit B hereto shall be made, then appropriate adjust-
[fol. 2112] ment shall be made in subsequent monthly payments.

In the case of any service charges collected, or due and payable (as the case may be), during a calendar month in advance for a period extending beyond February 18, 1954, then the amount payable to Grinnell with respect to such service charges shall be 25% of the portion thereof applicable to the portion of the period ending February 18, 1954, and 17½% of the portion applicable to the balance of the period.

Grinnell shall be entitled to receive 25% of any installation fees, whether becoming due and payable by the subscribers before, on or after February 18, 1954, with respect to all Service Contracts in force (as defined in clause (1) of paragraph (C) of Article I of Exhibit B hereto) on or before February 18, 1954.

5. *Lease or Sale by Grinnell of Actuating Devices.* ADT and Grinnell agree that they will, and ADT agrees that it will cause the ADT Controlled Companies to, and the ADT Controlled Companies agree that they will, enter into an agreement either substantially in the form of Exhibit B hereto or substantially in the form of Exhibit C hereto, the agreement to be entered into to be determined as follows:

(A) Grinnell agrees that it will apply to the Treasury Department for a ruling as to the tax treatment by it, in the event an agreement should be entered into substantially in the form of Exhibit C hereto, of the payments to be made to it pursuant to Article II of such agreement; and ADT agrees that it and/or the ADT Controlled Companies will apply to the Treasury Department for a ruling as to the deduction, by the ADT Controlled Companies, in the event such agree-

ment should be entered into, of or on account of the payments to be made to Grinnell pursuant to Article II of such agreement.

(B) If, within the time specified in paragraph (C) below, Grinnell and ADT shall each have obtained a ruling satisfactory to it on the application to be made by it as aforesaid, then the agreement to be entered [fol. 2113] into pursuant to the foregoing covenant shall be substantially in the form of Exhibit C hereto.

(C) If such satisfactory rulings shall not have been obtained prior to July 1, 1953, or prior to such later date as may be mutually agreed upon by Grinnell and ADT, then the agreement to be entered into pursuant to the foregoing covenant shall be substantially in the form of Exhibit B hereto.

Provided, however, that either ADT or Grinnell may at any time either before or after an application for a ruling shall have been made by it as aforesaid notify the other that it no longer desires to obtain a ruling, and in the event either so notifies the other then the agreement entered into pursuant to the foregoing covenant shall be substantially in the form of Exhibit B hereto.

Grinnell agrees that, upon the termination of the 3-party Agreement on February 18, 1954, it shall have no right or interest in any of the Service Contracts then or thereafter in force and its rights against ADT and the ADT Controlled Companies with reference to Service Contracts (i.e., contracts for Supervisory Service in localities other than the Four Cities) shall be solely as provided herein and in the agreement entered into pursuant to the foregoing covenant.

If your company will confirm this letter by signing and returning the enclosed copy, it shall become an agreement between your company and the undersigned.

Very truly yours, American District Telegraph Company, By ——, ——, President.

Confirmed:

Grinnell Corporation, By ——, ——, President.

[fol. 2114] The American District Telegraph Company, (Alabama); American District Telegraph Company, (Los Angeles), (California); American District Telegraph Company of San Francisco, (California); The American District Telegraph Company, (Colorado); American District Telegraph Company, (Connecticut); American District Telegraph Company, (Delaware); American District Telegraph Company, (Florida); American District Telegraph Company, (Georgia); American District Telegraph Company, (Illinois); American District Telegraph Company, Inc., (Indiana); American District Telegraph Company of Iowa, (Iowa); American District Telegraph Company, (Kansas); A.D.T. Company, (Kentucky); American District Telegraph Company, (Louisiana); The American District Telegraph Company of Baltimore City, (Maryland); American District Telegraph Company, (Michigan); American District Telegraph Company, (Minneapolis) (Minnesota); The American District Telegraph Company of Minnesota, (Minnesota); American District Telegraph Company, (Missouri); The American District Telegraph Company, (Nebraska); A.D.T. Company, (New Jersey); A.D.T. Company, Inc., (New York); A.D.T. Company, (North Carolina); The American District Telegraph Company, of Cleveland Company, (Ohio); The American District Telegraph Company, of Columbus, Ohio, (Ohio); The American District Telegraph Company (Dayton) (Ohio); The American District Telegraph Company of Ohio Company, (Ohio); American District Telegraph Company of Cin-
[fol. 2115] cinnati, Ohio, (Ohio); American District Telegraph Company, of Toledo, Ohio, (Ohio); The American District Telegraph Company of Oklahoma, (Oklahoma); American District Telegraph Company, (Oregon); The American District Telegraph Company of Pennsylvania, (Pennsylvania); American District Telegraph Company, (South Carolina); American District Telegraph Company of Dakota (South Dakota); A.D.T. Com-

pany, (Tennessee); American District Telegraph Company of Texas (Texas); American District Telegraph Company, (Utah); A.D.T. Corporation, (Virginia); American District Telegraph Company of Washington, (Washington); Seattle American District Telegraph Company, (Washington); American District Telegraph Company, (Washington, D.C.) (West Virginia); American District Telegraph Company of Milwaukee, (Wisconsin); American District Telegraph Company of Wisconsing, (Wisconsin); American District Telegraph Company, (Maine); American District Telegraph Company, (Massachusetts). By ——, ——, President of each of said companies.

[fol. 2116] Exhibit A

Disposition of aggregate purchase price paid by Grinnell Corporation to ADT Controlled Companies for sale of A.D.T. Replacement Devices.

The American District Telegraph Company (Alabama)	$ 2,287.25
American District Telegraph Company (Los Angeles) (California)	30,421.16
American District Telegraph Company of San Francisco (California)	24,824.76
The American District Telegraph Company (Colorado)	754.74
American District Telegraph Company (Connecticut)	7,715.87
American District Telegraph Company (Florida)	2,344.48
American District Telegraph Company (Georgia)	9,003.22
American District Telegraph Company (Illinois)	86,666.56
American District Telegraph Company, Inc. (Indiana)	10,040.18
American District Telegraph Company of Iowa (Iowa)	15,590.63
American District Telegraph Company (Kansas)	4,617.54

A.D.T. Company (Kentucky)	14,084.79
American District Telegraph Company (Louisiana)	10,379.75
The American District Telegraph Company of Baltimore City (Maryland)	54,233.26
American District Telegraph Company (Michigan)	37,070.35
American District Telegraph Company (Minneapolis) (Minnesota)	16,055.08
The American District Telegraph Company of Minnesota (Minnesota)	11,577.78
American District Telegraph Company (Missouri)	27,223.93
The American District Telegraph Company (Nebraska)	8,526.43
A.D.T. Company (New Jersey)	34,009.94
A.D.T. Company, Inc. (New York)	26,360.90
A.D.T. Company (North Carolina)	4,406.41
The American District Telegraph Company of Cleveland Company (Ohio)	27,176.39
The American District Telegraph Company of Columbus, Ohio (Ohio)	4,650.32
The American District Telegraph Company (Dayton) (Ohio)	3,586.39
The American District Telegraph Company of Ohio Company (Ohio)	5,363.22
American District Telegraph Company of Cincinnati, Ohio (Ohio)	36,615.65
American District Telegraph Company of Toledo, Ohio (Ohio)	12,276.04
The American District Telegraph Company of Oklahoma (Oklahoma)	5,078.95
American District Telegraph Company (Oregon)	3,304.11
The American District Telegraph Company of Pennsylvania (Pennsylvania)	14,547.91
American District Telegraph Company (South Carolina)	42.47
American District Telegraph Company of Dakota (South Dakota)	56.76
A.D.T. Company (Tennessee)	13,522.02

American District Telegraph Company of Texas (Texas)	43,261.15

[fol. 2117]

American District Telegraph Company (Utah)	1,576.05
A.D.T. Corporation (Virginia)	6,740.60
American District Telegraph Company of Washington (Washington)	3,290.34
Seattle American District Telegraph Company (Washington)	7,818.76
American District Telegraph Company (Washington, D. C.) (West Virginia)	5,220.98
American District Telegraph Company of Milwaukee (Wisconsin)	20,527.10
American District Telegraph Company of Wisconsin (Wisconsin)	906.19
American District Telegraph Company (Maine)	3,744.77
American District Telegraph Company (Massachusetts)	19,559.92
	$677,061.10

[fol. 2118] Exhibit B

Agreement made as of — 1953, by and between Grinnell Corporation, a corporation duly organized and existing under the laws of the State of Delaware ("Grinnell"), American District Telegraph Company, a corporation duly organized and existing under the laws of the State of New Jersey ("ADT"), and the ADT Controlled Companies by which this agreement is executed, corporations duly organized and existing under the laws of the states below indicated opposite their respective names (the "ADT Controlled Companies");

Witnesseth:

Now, therefore, Grinnell, ADT and the ADT Controlled Companies agree as follows:

I. *Definitions.*

(A) "3-party Agreement" shall mean the agreement dated April 29, 1907, between General Fire Extinguisher

Company (predecessor of Grinnell), ADT and Automatic Fire Protection Company, but only insofar as it applies to central station sprinkler supervisory and valve alarm service in localities of the United States other than the Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania (the "Four Cities").

(B) "Supervisory Service" shall mean central station sprinkler supervisory and/or valve alarm service contemplated by the 3-party Agreement, in localities in the United States other than the Four Cities.

(C) "Service Contract" shall mean a contract for Supervisory Service made by ADT or an ADT Controlled Company

(1) in respect of which Grinnell under Article Fourth of the 3-party Agreement is entitled to [fol. 2119] one-quarter of the collectible rentals and charges and which is in force on February 18, 1954 (the term "in force" being used in this agreement to include any contract in fact executed by a representative of ADT or an ADT Controlled Company, and whether or not any required executive approval has been obtained, under which service is subsequently provided); or

(2) which, though not in force on February 18, 1954, (i) is in force before six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation under a former contract which was in force during some part of the six months immediately preceding February 18, 1954, and in respect of which former contract Grinnell under Article Fourth of the 3-party Agreement was entitled to one-quarter of the collectible rentals and charges; and (ii) provides for the resumption of the service which was previously provided by such former contract; or

(3) which (i) represents any form of renewal (including but not limited to a term extension or renewal or a new contract, and successive term extensions or renewals or new contracts, and regardless of any change in the building or buildings, in the ownership of the premises or in the identity of the subscriber),

and (ii) provides for the continuance or resumption of service provided by a contract described in (1) or (2) above, and (iii), in the case of the resumption of service, is in force before six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation under the contract which previously provided the service being resumed;

all as specifically identified pursuant to the provisions of [fol. 2120] Article III hereof; provided, however, that a contract shall not be deemed to be a Service Contract for the purpose of payment to Grinnell pursuant to Article II hereof except for the period or periods during which service is furnished thereunder; and provided, further, that a contract shall be deemed a Service Contract for all the purposes of this agreement only to the extent of the service provided on February 18, 1954 (or, in the case of a Service Contract resulting from the resumption of service as provided in (2) above, on the date of discontinuance of the service resumed) by the contract or by the contract of which it is a renewal; and provided, further, that a Service Contract shall cease to be a Service Contract and shall not be subject to renewal as a Service Contract when it shall have been terminated

(a) by either the subscriber or the particular ADT Controlled Company in accordance with its provisions, or

(b) by the subscriber and the particular ADT Controlled Company by mutual agreement;

and more than six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation despite good faith efforts on the part of ADT and the particular ADT Controlled Company to bring about renewal. Nothing in this agreement contained shall in any way restrict the exercise by ADT and the ADT Controlled Companies, in their uncontrolled discretion, of any and all rights which they may have under the terms of any Service Contract to terminate or cancel the same or to increase or decrease the annual service charge provided for therein; and nothing in this

agreement contained shall impose any obligation or duty on ADT or any ADT Controlled Company to make any effort to bring about renewal of a contract with a subscriber which has substantially breached its preexisting contract or, in the case of a change in the identity of the subscriber, to bring about renewal of the contract in the event the credit standing of the new subscriber is not satisfactory to it, or to bring about renewal of any contract [fol. 2120a] where the operating conditions, in the judgment of ADT or the particular ADT Controlled Company, are such as to suggest the undesirability of continuing to provide service and the transmission boxes and other items of salvageable ADT equipment are removed.

(D) "Actuating Devices" shall mean all sprinkler supervisory and valve alarm actuating devices and attachments of the character described or referred to in the Article SECOND of the 3-party Agreement.

(E) "Replacement Devices" shall mean all Actuating Devices needed in repair, replacement or maintenance, for whatsoever reason, of Actuating Devices installed under Service Contracts, but shall not include Actuating Devices of new or improved design except to replace Actuating Devices in service needing replacement for other reasons than that new and improved design devices are available.

II. *Lease of Actuating Devices.*

(A) Grinnell, in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the ADT Controlled Companies, hereby leases to the respective ADT Controlled Companies, from and after February 18, 1954, the Actuating Devices then belonging to Grinnell and in the installations under Service Contracts, together with any Actuating Devices which may thereafter be installed pursuant to paragraphs (B) and (D) of this Article or paragraph (C) of Article IV hereof, the lease of the Actuating Devices installed with respect to each Service Contract to continue for a term commencing February 18, 1954, and expiring upon the removal of such devices as provided in Article IV hereof.

(B) In the case of any Service Contract which is in force on February 18, 1954, but under which Grinnell has

not prior to that date completed the installation of Actuating Devices, Grinnell agrees to furnish and install such Actuating Devices as may be necessary to complete the installation, whereupon such devices shall become subject to the lease thereof contained in this agreement.

[fol. 2121] Grinnell agrees to maintain the Actuating Devices leased as aforesaid in good working order and condition by furnishing the respective ADT Controlled Companies, at its own cost and expense, all Replacement Devices which, in the sole judgment of the respective ADT Controlled Companies, are needed with respect to Service Contracts, such Replacement Devices to be of substantially the same types and models as the devices replaced, except as may otherwise be mutually agreed by Grinnell and ADT and except as provided in (1) below of this paragraph (B).

In lieu of furnishing such Replacement Devices as the same are from time to time needed, Grinnell shall furnish the same as and when ADT shall notify it that, during a specified period and for the purpose of replacement in the installations under specified Service Contracts, Replacement Devices of specified types and models were needed and were installed by ADT Controlled Companies; and upon receipt of such notice, Grinnell shall, at its sole cost and expense, deliver devices of corresponding types and models at such points as may be specified in the notice. ADT may so notify Grinnell at any time, and shall so notify Grinnell at intervals of not more than 3 months.

Notwithstanding the foreging provisions of this paragraph (B):

(1) If at any time ADT believes that devices of new or improved design (hereinafter called "new type devices") are desirable in connection with the rendition of service under any Service Contract, and if ADT Controlled Companies are then using such new type devices in connection with Supervisory Service installations not covered by Service Contracts, any notice to Grinnell pursuant to the foregoing provisions of this paragraph (B) may so state, and shall further state whether any, and if so which, of the Replacement Devices installed as shown by the notice were new type devices, and may request Grinnell to deliver, in respect of the new type devices installed, (a) devices of the

[fol. 2122] same types and models (hereinafter called "old type devices") as the devices replaced by the new type devices installed or (b) new type devices, according to specifications set forth in the notice, if the same are available to Grinnell, provided that Grinnell shall be entitled to reimbursement to the extent of any cost to it of furnishing new type devices in excess of what would have been the cost and expense to it of furnishing old type devices. Upon receipt of any such notice, Grinnell shall, in accordance with the request contained in the notice, and at its sole cost and expense, deliver devices at such points as may be specified in the notice; and

(2) Grinnell's obligation to deliver Replacement Devices as provided in this paragraph (B) shall be subject to the limitation that the aggregate cost price to Grinnell, as such cost price is shown by its books of account, of the Replacement Devices delivered in any calendar year shall not exceed the aggregate amount received by Grinnell during that year as rental hereunder from all Service Contracts.

In the event that at any time the provisions of clause (b) of (1) above shall become applicable or Grinnell shall attempt to invoke the limitation contained in (2) above, ADT shall within normal business hours have access to such of the books and records of Grinnell as may relate to the cost to it of furnishing Replacement Devices.

If at any time Replacement Devices are needed in excess of those which Grinnell is obligated to furnish under the limitation contained in (2) above, then ADT may install such additional Replacement Devices.

(C) ADT and each ADT Controlled Company agrees that, as rental for the Actuating Devices leased as aforesaid, each ADT Controlled Company shall make payments to Grinnell at the rate of 17½% of the basic annual service charges under Service Contracts of such ADT Controlled Company as shown on the lists furnished as provided pur- [fol. 2123] suant to Article III hereunder, such payments to be made by the ADT Controlled Companies (or by ADT for their respective accounts) on the 10th day of each calendar month beginning March 10, 1954, in the amounts

shown on the statement furnished by ADT as provided herein.

On the 10th day of each calendar month beginning March 10, 1954, ADT shall furnish to Grinnell a statement listing the Service Contracts under which service charges were due and payable during the preceding calendar month (or, in the case of the statement furnished on March 10, 1954, during the period from February 19 to February 28, 1954), showing for each contract listed the city in which service is provided thereunder, the subscriber's name, the current account identification number, and 17½% of the basic annual service charge thereunder for the period currently billed; provided, however, that as and when in any calendar month, from time to time

(1) service charges which have been included in statements previously furnished to Grinnell shall be written off by ADT or ADT Controlled Companies as improperly billed or as uncollectible, or

(2) service charges so written off shall be subsequently collected by ADT or ADT Controlled Companies,

then the monthly statement furnished with respect to such month shall reflect Grinnell's proportion of such write-offs or collections as deductions or additions to the aggregate amount of the rental to Grinnell shown in the statement for that month, and the payments due from the ADT Controlled Companies with respect to that month shall be as shown by the statement so adjusted. The statement furnished on March 10, 1954, may, if ADT so desires, be combined with the statement covering the period from February 1 to February 18, 1954, which is furnished Grinnell pursuant to the agreement between Grinnell and ADT dated December 29, 1952.

[fol. 2124] The rental payments pursuant to this paragraph (C) shall not be reduced by reason of any tax of any character imposed on ADT or the ADT Controlled Companies upon or with respect to the service charges received under Service Contracts.

(D) During the first 5 years from February 18, 1954, Grinnell shall maintain a careful record of the aggregate

cost to it, as such cost is shown by its books of account, of compliance with the covenants contained in paragraph (B) of this Article (such aggregate cost for said period being hereinafter referred to as "Grinnell's 5-year maintenance cost"), and it shall furnish to ADT as soon as practicable after February 18, 1958, a statement of such cost broken down by years for the four-year period beginning February 19, 1954, and ending February 18, 1958, and ADT shall within normal business hours have access to such of the books and records of Grinnell as may relate to its cost for the purpose of checking such statement; provided that if Grinnell shall have notified ADT prior to February 18, 1958, that the succeeding provisions of this paragraph (D) are not to become applicable, then Grinnell shall not be obligated to furnish such cost statement.

Unless prior to January 1, 1959, either Grinnell shall notify ADT, or ADT and the ADT Controlled Companies shall notify Grinnell, that the succeeding provisions of this paragraph (D) are not to become applicable, the obligations of the parties under the foregoing provisions of this Article shall be adjusted as of February 18, 1959, as follows:

(1) Grinnell's obligation to maintain the Actuating Devices leased, and to deliver Replacement Devices and otherwise comply with the covenants contained in paragraph (B) of this Article shall terminate; and thereupon ADT agrees to cause the ADT Controlled Companies to, and the ADT Controlled Companies agree to, maintain the Actuating Devices leased in good working order and condition by furnishing at their own cost and expense, all Replacement Devices [fol. 2125] which, in the sole judgment of the respective ADT Controlled Companies, are needed with respect to Service Contracts, such Replacement Devices to be old type devices and/or new type devices as the respective ADT Controlled Companies may determine; and

(2) Each rental payment thereafter due to Grinnell under paragraph (C) of this Article shall be reduced by an amount which bears the same ratio to the amount of the rental payment which would be then due under said paragraph (C) as Grinnell's 5-year maintenance

cost bears to the aggregate amount received by Grinnell during the aforesaid 5-year period as rental hereunder from all Service Contracts.

(E) All Actuating Devices installed under Service Contracts shall, upon installation, if not theretofore the property of Grinnell, become the property of Grinnell and become subject to the lease thereof contained in this agreement.

III. *Identification of Service Contracts.*

(A) As soon as practicable after February 18, 1954, there shall be prepared and signed by Grinnell and ADT and the ADT Controlled Companies, in duplicate, to be attached to their respective originals of this agreement, a list as of February 18, 1954, of all Service Contracts, such list to show for each contract the city in which service is provided thereunder, the subscriber's name, the current account identification number, the address of the building in which service is supplied, the billing period, and the basic annual service charge thereunder. The "basic annual service charge" under each contract shall, except as provided in paragraph (C) of this Article, represent the rate in effect under that contract on February 18, 1954, and such charge shall continue to be the basic annual service charge under that contract and under any subsequent renewal or renewals thereof (notwithstanding any increase in the charges to the subscriber under that contract or under any subsequent renewal or renewals thereof, whether [fol. 2126] resulting from an increase in the annual service charge, an increase in the service provided, or otherwise).

(B) On the 10th day of each calendar month, beginning April 10, 1954, ADT shall furnish to Grinnell a list showing all changes in regard to Service Contracts which have been reflected in ADT's books of account during the second preceding calendar month (or, in the case of the list furnished on April 10, 1954, during the period from February 19 to February 28, 1954), the changes to be so shown on such list to include discontinuance of service, termination, changes in contract identification numbers and subscribers' names, changes in billing periods, and additions or restorations to the list of Service Contracts resulting from the resumption

of service as provided in (2) of the definition of Service Contract contained in paragraph (C) of Article I hereof or from the renewal of a contract as provided in (3) of said definition after the discontinuance of service thereunder but before such contract has ceased to be a Service Contract. In the case of any addition to the list of Service Contracts resulting from the resumption of service as provided in (2) of the definition of Service Contract contained in paragraph (C) of Article I hereof, the basic annual service charge shall also be shown, the same being that which at the time of the discontinuance of the service was in effect under the contract which previously provided the service which is resumed; and such charge shall continue to be the basic annual service charge under that contract and under any subsequent renewal or renewals thereof (notwithstanding any increase in the charges to the subscriber under that contract or under any subsequent renewal or renewals thereof, whether resulting from an increase in the annual service charge, an increase in the service provided, or otherwise).

(C) In the event that the Supervisory Service provided under any Service Contract (including any renewal) shall be reduced below that which was provided on February 18, 1954 (or, in the case of a Service Contract resulting from [fol. 2127] the resumption of service as provided in (2) of the definition of Service Contract contained in paragraph (C) of Article I hereof (or any renewal), on the date of discontinuance of the service resumed), then such reduction of service shall be shown on the next list furnished pursuant to paragraph (B) of this Article and the adjusted basic annual service charge shall also be shown. Such adjusted charge shall reflect a reduction from the basic annual service charge previously in effect in proportion to the reduction in service, and such adjusted charge shall continue as the basic annual service charge under such contract and under any subsequent renewal or renewals thereof unless and until the Supervisory Service provided shall be further reduced or shall be increased. In the event of any such further reduction or any such increase in service, the reduction or increase and a further similar adjustment of the basic annual service charge shall be shown on the next list furnished as aforesaid, provided

that the basic annual service charge shall at no time exceed the original basic annual service charge. Except as above provided, no decrease in the charges to the subscriber under any Service Contract shall, until it ceases to be a Service Contract, affect the basic annual service charge thereunder.

(D) Grinnell shall at all times within normal business hours have access to such of the books and records of ADT and the ADT Controlled Companies as may relate to Service Contracts and the service charges payable thereunder.

IV. *Disposition of Actuating Devices Replaced or upon Discontinuance of Service under Service Contract.*

(A) All Actuating Devices in lieu of which other devices are installed pursuant to paragraph (B) of Article II hereof shall be removed by the particular ADT Controlled Company and shipped to Grinnell, at convenient intervals of not more than 3 months, freight collect, at such location and by such carrier as Grinnell shall from time to time [fol. 2128] specify, to be retained by Grinnell as its own property free of any lease.

(B) Upon the discontinuance of Supervisory Service under any Service Contract, Grinnell shall be obligated, at its expense, to remove and dispose of the Actuating Devices installed in connection therewith, and if Grinnell does not remove the same within 60 days after notice from ADT that service has been discontinued and that the transmission boxes and other items of salvageable ADT equipment have been removed the particular ADT Controlled Company shall have the right to remove the same, at Grinnell's expense, and to ship the same to Grinnell, freight collect, at such location as Grinnell shall from time to time specify; and such devices so removed by Grinnell or by an ADT Controlled Company and shipped to Grinnell shall be retained by Grinnell as its own property free of any lease.

(C) If, after the discontinuance of Supervisory Service under any Service Contract, a new contract for Supervisory Service shall be in force as hereinabove defined before six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation, so that such contract constitutes a Service Contract, Grinnell agrees to furnish and

install such Actuating Devices as may be necessary in connection with such Service Contract, whereupon such devices shall become subject to the lease thereof contained in this agreement. The Actuating Devices so furnished and installed shall be new type devices if ADT or the particular ADT Controlled Company so requests and if the same are available to Grinnell, provided that if the cost to Grinnell, as shown by its books of account, of furnishing such new type devices would exceed the cost of furnishing old type devices, then Grinnell shall be obligated to furnish new type devices only up to an aggregate cost equal to such cost of furnishing old type devices, and ADT or the particular ADT Controlled Company shall furnish the necessary additional new type devices for installation by Grinnell.

[fol. 2129] V. *Assignment.*

(A) None of the parties hereto shall assign any of their rights hereunder nor shall ADT or any ADT controlled Company assign any Service Contract except, in the case of any assignment by Grinnell, with the written consent of ADT and except, in the case of any assignment by ADT or any ADT Controlled Company, with the written consent of Grinnell; provided, however, that, without any such consent, Grinnell may assign this agreement or any of its rights hereunder or its title to the Actuating Devices leased hereby to one or more wholly-owned subsidiaries, and any assignment between ADT and any ADT Controlled Company of any rights hereunder or of any Service Contracts may be made.

(B) This agreement shall be binding upon, and shall inure to the benefit of, the successors and assigns of the parties hereto, respectively, and the term ADT Controlled Company shall include within its meaning any additional subsidiary of ADT.

VI. *Construction and Arbitration.*

(A) This agreement shall be deemed to be an agreement made under the laws of the State of New York and shall be construed in accordance with the laws of said State.

(B) Any controversy or claim arising out of or relating to this agreement, or the breach thereof, including without

limiting the foregoing generality any controversy as to its meaning, interpretation or application shall be settled by arbitration in the State of New York in accordance with the rules of the American Arbitration Association, and judgment upon the award entered by the arbitrators may be entered in any court having jurisdiction thereof; provided, however, that with respect to any matter which by the terms of this agreement lies in the judgment or discretion of either party, the issue which the arbitrators may determine shall be only whether judgment or dis-
[fol. 2130] cretion was exercised in good faith and without abuse by the party so empowered; and if the arbitrators shall determine that the exercise was in good faith and without abuse, then the decision of the party empowered to exercise the judgment or discretion shall in all respects be sustained.

(C) Any notice or other communication required or permitted to be given hereunder or by any provision of law by any party hereto to another party shall be deemed to have been duly given if mailed, postage prepaid, by registered mail, addressed, in the case of ADT and the ADT Controlled Companies, to 155 Sixth Avenue, New York, N. Y., or, in the case of Grinnell, to 260 West Exchange Street, Providence, R. I., or to such other addresses as any party may hereafter advise the others in writing for this purpose.

In Witness Whereof, the parties hereto have caused this agreement to be duly executed, as of the day and year first above written.

Grinnell Corporation, By ——, ——, President. American District Telegraph Company, By ——, ——, President. The American District Telegraph Company, (Alabama); American District Telegraph Company, (Los Angeles) (California); American District Telegraph Company of San Francisco, (California); The American District Telegraph Company, (Colorado); American District Telegraph Company, (Connecticut); American District Telegraph Company, (Delaware); American District Telegraph Company, (Flor-
[fol. 2131] ida); American District Telegraph Company, (Georgia); American District Tele-

graph Company, (Illinois); American District Telegraph Company, Inc., (Indiana); American District Telegraph Company of Iowa, (Iowa); American District Telegraph Company, (Kansas); A.D.T. Company, (Kentucky); American District Telegraph Company, (Louisiana); The American District Telegraph Company of Baltimore City, (Maryland); American District Telegraph Company, (Michigan); American District Telegraph Company, (Minneapolis) (Minnesota); The American District Telegraph Company of Minnesota, (Minnesota); American District Telegraph Company, (Missouri); The American District Telegraph Company, (Nebraska); A.D.T. Company, (New Jersey); A.D.T. Company, Inc., (New York); A.D.T. Company, (North Carolina); The American District Telegraph Company of Cleveland Company, (Ohio); The American District Telegraph Company of Columbus, Ohio, (Ohio); The American District Telegraph Company, (Dayton) (Ohio); The American District Telegraph Company of Ohio Company, (Ohio); American District Telegraph Company of Cincinnati, Ohio, (Ohio); American District Telegraph Company of Toledo, Ohio, (Ohio); The American District Telegraph Company of Oklahoma, (Oklahoma); American District Telegraph Company, (Oregon); The American District Telegraph Company of Pennsylvania, (Pennsylvania); American District Telegraph Company, (South Carolina); American District Telegraph Company of Dakota, (South Dakota); A.D.T. Company, (Tennessee); American District Telegraph Company of Texas, (Texas); American District Telegraph Company, [fol. 2132] (Utah); A.D.T. Corporation, (Virginia); American District Telegraph Company of Washington, (Washington); Seattle American District Telegraph Company, (Washington); American District Telegraph Company, (Washington, D. C.) (West Virginia); American District Telegraph Company of Milwaukee, (Wisconsin); American District Telegraph Company of Wis-

consin, (Wisconsin); American District Telegraph Company, (Maine); American District Telegraph Company, (Massachusetts). By ——, ——, President of each of said companies.

[fol. 2133] Exhibit C

Agreement made as of — 1953, by and between Grinnell Corporation, a corporation duly organized and existing under the laws of the State of Delaware ("Grinnell"), American District Telegraph Company, a corporation duly organized and existing under the laws of the State of New Jersey ("ADT"), and the ADT Controlled Companies by which this agreement is executed, corporations duly organized and existing under the laws of the states below indicated opposite their respective names (the "ADT Controlled Companies");

Witnesseth:

Now, Therefore, Grinnell, ADT and the ADT Controlled Companies agree as follows:

I. Definitions.

(A) "3-party Agreement" shall mean the agreement dated April 29, 1907, between General Fire Extinguisher Company (predecessor of Grinnell), ADT and Automatic Fire Protection Company, but only insofar as it applies to central station sprinkler supervisory and valve alarm service in localities of the United States other than the Cities of Greater New York, Boston and Charlestown, Massachusetts, and Philadelphia, Pennsylvania (the "Four Cities").

(B) "Supervisory Service" shall mean central station sprinkler supervisory and/or valve alarm service contemplated by the 3-party Agreement, in localities in the United States other than the Four Cities.

(C) "Service Contract" shall mean a contract for Supervisory Service made by ADT or an ADT Controlled Company

(1) in respect of which Grinnell under Article Fourth of the 3-party Agreement is entitled to one-quarter of the collectible rentals and charges and [fol. 2134] which is in force on February 18, 1954

(the term "in force" being used in this agreement to include any contract in fact executed by a representative of ADT or an ADT Controlled Company, and whether or not any required executive approval has been obtained, under which service is subsequently provided); or

(2) which, though not in force on February 18, 1954, (i) is in force before six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation under a former contract which was in force during some part of the six months immediately preceding February 18, 1954, and in respect of which former contract Grinnell under Article FOURTH of the 3-party Agreement was entitled to one-quarter of the collectible rentals and charges; and (ii) provides for the resumption of the service which was previously provided by such former contract; or

(3) which (i) represents any form of renewal (including but not limited to a term extension or renewal or a new contract, and successive term extensions or renewals or new contracts, and regardless of any change in the building or buildings, in the ownership of the premises or in the identity of the subscriber), and (ii) provides for the continuance or resumption of service provided by a contract described in (1) or (2) above, and (iii), in the case of the resumption of service, is in force before six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation under the contract which previously provided the service being resumed;

all as specifically identified pursuant to the provisions of Article III hereof; provided, however, that a contract shall not be deemed to be a Service Contract for the purpose of payment to Grinnell pursuant to Article II hereof [fol. 2135] except for the period or periods during which service is furnished thereunder; and provided, further, that a contract shall be deemed a Service Contract for all the purposes of this agreement only to the extent of the service provided on February 18, 1954 (or, in the case of a

Service Contract resulting from the resumption of service as provided in (2) above, on the date of discontinuance of the service resumed) by that contract or by the contract of which it is a renewal; and provided, further, that a Service Contract shall cease to be a Service Contract and shall not be subject to renewal as a Service Contract when it shall have been terminated

(a) by either the subscriber or the particular ADT Controlled Company in accordance with its provisions, or

(b) by the subscriber and the particular ADT Controlled Company by mutual agreement;

and more than six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation despite good faith efforts on the part of ADT and the particular ADT Controlled Company to bring about renewal. Nothing in this agreement contained shall in any way restrict the exercise by ADT and the ADT Controlled Companies, in their uncontrolled discretion, of any and all rights which they may have under the terms of any Service Contract to terminate or cancel the same or to increase or decrease the annual service charge provided for therein; and nothing in this agreement contained shall impose any obligation or duty on ADT or any ADT Controlled Company to make any effort to bring about renewal of a contract with a subscriber which has substantially breached its pre-existing contract or, in the case of a change in the identity of the subscriber, to bring about renewal of the contract in the event the credit standing of the new subscriber is not satisfactory to it, or to bring about renewal of any contract where the operating conditions, in the judgment of ADT or the particular ADT Controlled Company, are such as to suggest the undesirability of continuing to provide service and the transmission boxes and other items of salvageabble ADT equipment are removed.

[fol. 2136] (D) "Actuating Devices" shall mean all sprinkler supervisory and valve alarm actuating devices and attachments of the character described or referred to in Article Second of the 3-party Agreement.

(E) "Replacement Devices" shall mean all actuating

Devices needed in repair, replacement or maintenance, for whatsoever reason, of Actuating Devices installed under Service Contracts, but shall not include Actuating Devices of new or improved design except to replace Actuating Devices in service needing replacement for other reasons than that new and improved design devices are available.

II. *Sale of Actuating Devices.*

(A) Grinnell hereby agrees to sell, assign and transfer to the respective ADT Controlled Companies, and ADT hereby agrees to cause the ADT Controlled Companies severally to, and the ADT Controlled Companies hereby severally agree to (purchase from Grinnell, on February 18, 1954, the Actuating Devices then belonging to Grinnell and in the installations under Service Contracts, together with any Actuating Devices which may thereafter be installed pursuant to paragraphs (B) and (E) of this Article or paragraph (C) of Article IV hereof.

(B) In the case of any Service Contract which is in force on February 18, 1954, but under which Grinnell has not prior to that date completed the installation of Actuating Devices, Grinnell agrees to furnish and install such Actuating Devices as may be necessary to complete the installation, whereupon such devices shall become subject to the agreement of sale thereof contained in this agreement.

Grinnell agrees to maintain the Actuating Devices sold as aforesaid in good working order and condition by furnishing the respective ADT Controlled Companies, at its own cost and expense, all Replacement Devices which, in the sole judgment of the respective ADT Controlled Companies, are needed with respect to Service Contracts, such Replacement Devices to be of substantially the same types [fol. 2137] and models as the devices replaced, except as may otherwise be mutually agreed by Grinnell and ADT and except as provided in (1) below of this paragraph (B).

In lieu of furnishing such Replacement Devices as the same are from time to time needed, Grinnell shall furnish the same as and when ADT shall notify it that, during a specified period and for the purpose of replacement in the installations under specified Service Contracts, Replacement Devices of specified types and models were

needed and were installed by ADT Controlled Companies; and upon receipt of such notice, Grinnell shall, at its sole cost and expense, deliver devices of corresponding types and models at such points as may be specified in the notice. ADT may so notify Grinnell at any time, and shall so notify Grinnell at intervals of not more then 3 months.

Notwithstanding the foregoing provisions of this paragraph (B):

(1) If at any time ADT believes that devices of new or improved design (hereinafter called "new type devices") are desirable in connection with the rendition of service under any Service Contract, and if ADT Controlled Companies are then using such new type devices in connection with Supervisory Service installations not covered by Service Contracts, any notice to Grinnell pursuant to the foregoing provisions of this paragraph (B) may so state, and shall further state whether any, and if so which, of the Replacement Devices installed as shown by the notice were new type devices, and may request Grinnell to deliver, in respect of the new type devices installed, (a) devices of the same types and models (hereinafter called "old type devices") as the devices replaced by the new type devices installed, or (b) new type devices, according to specifications set forth in the notice, if the same are available to Grinnell, provided that Grinnell shall be entitled to reimbursement to the extent of any cost to it of furnishing new type devices in excess of what would have been the cost and expense to it of furnishing old type devices. Upon receipt of any such notice, Grinnell shall, in accordance with the request contained in the notice, and at its sole cost and expense, deliver [fol. 2138] devices at such points as may be specified in the notice; and

(2) Grinnell's obligation to deliver Replacement Devices as provided in this paragraph (B) shall be subject to the limitation that the aggregate cost price to Grinnell, as such cost price is shown by its books of account, of the Replacement Devices delivered in any calendar year shall not exceed the aggregate amount received by Grinnell during that year as purchase price installments hereunder from all Service Contracts.

In the event that at any time the provisions of clause (b) of (1) above shall become applicable or Grinnell shall attempt to invoke the limitation contained in (2) above, ADT shall within normal business hours have access to such of the books and records of Grinnell as may relate to the cost to it of furnishing Replacement Devices.

If at any time Replacement Devices are needed in excess of those which Grinnell is obligated to furnish under the limitation contained in (2) above, then ADT may install such additional Replacement Devices.

(C) ADT and each ADT Controlled Company agrees that, as the purchase price for the Actuating Device sold as aforesaid, each ADT Controlled Company shall make payments to Grinnell, in installments at the rate of 17½% of the basic annual service charges under Service Contracts of such ADT Controlled Company as shown on the lists furnished as provided in Article III hereof, such payments to be made by the ADT Controlled Companies (or by ADT for their respective accounts) on the 10th day of each calendar month beginning March 10, 1954, in the amounts shown on the statement furnished by ADT as provided herein. Such purchase price installments for the Actuating Devices installed with respect to each Service Contract shall continue until such devices are removed as provided in Article IV hereof.

On the 10th day of each calendar month beginning March 10, 1954, ADT shall furnish to Grinnell a statement listing the Service Contracts under which service charges [fol. 2139] were due and payable during the preceding calendar month (or, in the case of the statement furnished on March 10, 1954, during the period from February 19 to February 28, 1954), showing for each contract listed the city in which service is providede thereunder, the subscriber's name, the current account identification number, and 17½% of the basic annual service charge thereunder for the period currently billed; provided, however, that as and when in any calendar month, from time to time

(1) service charges which have been included in statements previously furnished to Grinnell shall be written off by ADT or ADT Controlled Companies as improperly billed or as uncollectible, or

(2) service charges so written off shall be subsequently collected by ADT or ADT Controlled Companies.

then the monthly statement furnished with respect to such month shall reflect Grinnell's proportion of such write-offs or collections as deductions or additions to the aggregate amount of the purchase price installments shown in the statement for that month, and the payments due from the ADT Controlled Companies with respect to that month shall be as shown by the statements so adjusted. The statement furnished on March 10, 1954, may, if ADT so desires, be combined with the statement covering the period from February 1 to February 18, 1954, which is furnished Grinnell pursuant to the agreement between Grinnell and ADT dated December 29, 1952.

The payments of the purchase price pursuant to this paragraph (C) shall not be reduced by reason of any tax of any character imposed on ADT or the ADT Controlled Companies upon or with respect to the service charges received under Service Contracts but shall be reduced by the full amount of any sales taxes which ADT or the ADT Controlled Companies may be required to pay with respect to the sale of the Actuating Devices as provided in this agreement.

(D) Grinnell shall retain title to the Actuating Devices in connection with each Service Contract until full payment shall have been made to it with respect to such Service [fol. 2140] Contract or such devices have been removed as provided in Article IV hereof.

(E) During the first 5 years from February 18, 1954, Grinnell shall maintain a careful record of the aggregrate cost to it, as such cost is shown by its books of account, of compliance with the covenants contained in paragraph (B) of this Article (such aggregate cost for said period being hereinafter referred to as "Grinnell's 5-year maintenance cost"); and it shall furnish to ADT as soon as practicable after February 18, 1958, a statement of such cost broken down by years for the four-year period beginning February 19, 1954, and ending February 18, 1958, and ADT shall within normal business hours have access to such of the books and records of Grinnell as may relate to its cost

for the purpose of checking such statement; provided that if Grinnell shall have notified ADT prior to February 18, 1958, that the succeeding provisions of this paragraph (E) are not to become applicable, then Grinnell shall not be obligated to furnish such cost statement.

Unless prior to January 1, 1959, either Grinnell shall notify ADT, or ADT and the ADT Controlled Companies shall notify Grinnell, that the succeeding provisions of this paragraph (E) are not to become applicable, the obligations of the parties under the foregoing provisions of this Article shall be adjusted as of February 18, 1959, as follows:

(1) Grinnell's obligation to maintain the Actuating Devices sold hereby, and to deliver Replacement Devices, and otherwise comply with the covenants contained in paragraph (B) of this Article shall terminate; and thereupon ADT agrees to cause the ADT Controlled Companies to, and the ADT Controlled Companies agree to, maintain the Actuating Devices sold in good working order and condition by furnishing at their own cost and expense, all Replacement Devices which, in the sole judgment of the respective ADT Controlled Companies, are needed with respect to Service Contracts, such Replacement Devices to be old type devices and/or new type devices as the respective [fol. 2141] ADT Controlled Companies may determine; and

(2) Each payment thereafter due to Grinnell under paragraph (C) of this Article shall be reduced by an amount which bears the same ratio to the amount of the payment which would be then due under said paragraph (C) as Grinnell's 5-year maintenance cost bears to the aggregate amount received by Grinnell during the aforesaid 5-year period as purchase price installment payments hereunder from all Service Contracts.

(F) All Actuating Devices installed under Service Contracts shall, upon installation, if not theretofore the property of Grinnell, become the property of Grinnell and become subject to the agreement of sale thereof contained in this agreement.

(G) Grinnell shall have the right, in case of any default on the part of ADT, to enter any premises of ADT

or ADT Controlled Companies and of customers or subscribers where the Actuating Devices may be located and to remove any or all of such devices whether or not attached to the realty (for which purpose such devices, however attached, shall at all times be deemed personal property) and, at Grinnell's option, to sell the same at public or private sale and to apply the proceeds toward the balance of the payments due and to become due hereunder, together with the expenses of removal and sale including reasonable attorney's fees. The foregoing shall be without prejudice to the right of Grinnell to pursue any other remedies it may have in case of default. No failure or delay on the part of Grinnell to pursue any of its rights hereunder shall constitute a waiver of any such rights. Grinnell's rights and remedies hereunder shall be cumulative and not exclusive. Any one or more of the following happenings shall be deemed, at the option of Grinnell to be evidenced by written notice to ADT, default on the part of ADT:

(1) Default in any payment to Grinnell provided for by paragraph (C) of this Article II and the continuance of such default for 30 days after notice from Grinnell to ADT.

[fol. 2142] (2) Bankruptcy, receivership or other form of insolvency proceedings by or against ADT and/or ADT Controlled Companies having assets in such amount that not less than 25% of the consolidated assets of ADT and all the ADT Controlled Companies are involved in the proceedings, and the continuance thereof, undischarged, for 30 days; or an assignment for the benefit of creditors, or the equivalent, by ADT and/or ADT Controlled Companies having assets in the aforesaid amount.

(3) Actual or attempted sale or mortgage by an ADT Controlled Company of all or any substantial number of the Actuating Devices sold by Grinnell to it hereunder.

(4) Failure or refusal by ADT after written notice to permit the exercise by Grinnell of any of its rights hereunder.

If any of the foregoing provisions of this paragraph (G) shall contravene the present or future laws of any state relating to conditional sales or if the existence of any such provisions would otherwise render the rights of repossession hereunder by Grinnell unenforceable, such provisions shall be deemed inoperative as to Actuating Devices located in such state. If any such present or future laws of any state shall impose any requirement or condition with respect to the exercise by Grinnell of its repossession or other rights under this paragraph (G) such requirements or conditions shall be deemed incorporated herein with respect to all Actuating Devices located in such state, provided that nothing in this paragraph (G) contained shall be deemed to require the recording of this agreement as a condition to its validity.

III. *Identification of Service Contracts.*

(A) As soon as practicable after February 18, 1954, there shall be prepared and signed by Grinnell and ADT and the ADT Controlled Companies, in duplicate, to be attached to the respective originals of this agreement, a list as of February 18, 1954, of all Service Contracts, such list to show for each contract the city in which service is [fol. 2142a] provided thereunder, the subscriber's name, the current account identification number, the address of the building in which service is supplied, the billing period, and the basic annual service charge thereunder. The "basic annual service charge" under each contract shall, except as provided in paragraph (C) of this Article, represent the rate in effect under that contract on February 18, 1954, and such charge shall continue to be the basic annual service charge under that contract and under any subsequent renewal or renewals thereof (notwithstanding any increase in the charges to the subscriber under that contract or under any subsequent renewal or renewals thereof, whether resulting from an increase in the annual service charge, an increase in the service provided, or otherwise).

(B) On the 10th day of each calendar month, beginning April 10, 1954, ADT shall furnish to Grinnell a list showing all changes in regard to Service Contracts which have been reflected in ADT's books of account during the second preceding calendar month (or, in the case of the list fur-

nished on April 10, 1954, during the period from February 19 to February 28, 1954), the changes to be so shown on such list to include discontinuance of service, termination, changes in contract identification numbers and subscribers' names, changes in billing periods, and additions or restorations to the list of Service Contracts resulting from the resumption of service as provided in (2) of the definition of Service Contract contained in paragraph (C) of Article I hereof or from the renewal of a contract as provided in (3) of said definition after the discontinuance of service thereunder but before such contract has ceased to be a Service Contract. In the case of any addition to the list of Service Contracts resulting from the resumption of service as provided in (2) of the definition of Service Contract contained in paragraph (C) of Article I hereof, the basic annual service charge shall also be shown, the same being that which at the time of the discontinuance of the service was in effect under the contract which previously provided the service which is resumed; and such charge shall continue to be the basic annual service charge under that contract and under any subsequent renewal or renewals thereof (notwithstand-[fol. 2143] ing any increase in the charges to the subscriber under that contract or under any subsequent renewal or renewals thereof, whether resulting from an increase in the annual service charge, an increase in the service provided, or otherwise).

(C) In the event that the Supervisory Service provided under any Service Contract (including any renewal) shall be reduced below that which was provided on February 18, 1954 (or, in the case of a Service Contract resulting from the resumption of service as provided in (2) of the definition of Service Contract contained in paragraph (C) of Article I hereof (or any renewal), on the date of discontinuance of the service resumed), then such reduction of service shall be shown on the next list furnished pursuant to paragraph (B) of this Article and the adjusted basic annual service charge shall also be shown. Such adjusted charge shall reflect a reduction from the basic annual service charge previously in effect in proportion to the reduction in service, and such adjusted charge shall continue as the basic annual service charge under such contract and under any subsequent renewal or renewals thereof unless and until the

Supervisory Service provided shall be further reduced or shall be increased. In the event of any such further reduction or any such increase in service, the reduction or increase and a further similar adjustment of the basic annual service charge shall be shown on the next list furnished as aforesaid, provided that the basic annual service charge shall at no time exceed the original basic annual service charge. Except as above provided, no decrease in the charges to the subscriber under any Service Contract shall, until it ceases to be a Service Contract, affect the basic annual service charge thereunder.

(D) Grinnell shall at all times within normal business hours have access to such of the books and records of ADT and the ADT Controlled Companies as may relate to the Service Contracts and the service charges payable thereunder.

IV. *Removal of Actuating Devices.*

(A) All Actuating Devices in lieu of which other devices [fol. 2144] are installed pursuant to paragraph (B) of Article II hereof shall, when replaced, be deemed fully paid for and shall become the property of the particular ADT Controlled Company, free of any claim of Grinnell hereunder.

(B) Upon the discontinuance of Supervisory Service under any Service Contract, the particular ADT Controlled Company shall be entitled to remove the Actuating Devices installed in connection therewith, and the same shall be deemed fully paid for and shall become the property of the particular ADT Controlled Company free of any claim of Grinnell hereunder.

(C) If, after the discontinuance of Supervisory Service under any Service Contract, a new contract for Supervisory Service shall be in force as hereinabove defined before six months shall have elapsed after the removal of transmission boxes and other items of salvageable ADT equipment from the installation so that such contract constitutes a Service Contract, ADT agrees that it will cause such Actuating Devices to be installed as may be necessary in connection with such Service Contract, whereupon title to such devices shall be vested in Grinnell and the same shall become subject

to the agreement of sale thereof contained in this agreement.

V. *Assignment.*

(A) None of the parties hereto shall assign any of their rights hereunder nor shall ADT or any ADT Controlled Company assign any Service Contract, except, in the case of any assignment by Grinnell, with the written consent of ADT and except, in the case of any assignment by ADT or any ADT Controlled Company, with the written consent of Grinnell; provided, however, that, without any such consent, Grinnell may assign this agreement or any of its rights hereunder or its title to the Actuating Devices sold hereunder to one or more wholly-owned subsidiaries, and any assignment between ADT and any ADT Controlled Company of any rights hereunder or of any Service Contracts may be made.

(B) This agreement shall be binding upon, and shall inure to the benefit of, the successors and assigns of the parties hereto, respectively, and the terms ADT Controlled [fol. 2145] Company shall include within its meaning any additional subsidiary of ADT.

VI. *Construction and Arbitration.*

(A) This agreement shall be deemed to be an agreement made under the laws of the State of New York and shall be construed in accordance with the laws of said State.

(B) Any controversy or claim arising out of or relating to this agreement, or the breach thereof, including without limiting the foregoing generality any controversy as to its meaning, interpretation or application shall be settled by arbitration in the State of New York in accordance with the rules of the American Arbitration Association, and judgment upon the award entered by the arbitrators may be entered in any court having jurisdiction thereof; provided, however, that with respect to any matter which by the terms of this agreement lies in the judgment or discretion of either party, the issue which the arbitrators may determine shall be only whether the judgment or discretion was exercised in good faith and without abuse by the party so empowered; and if the arbitrators shall determine that the exercise was

in good faith and without abuse, then the decision of the party empowered to exercise the judgment or discretion shall in all respects be sustained.

(C) Any notice or other communication required or permitted to be given hereunder or by any provision of law by any party hereto to another party shall be deemed to have been duly given if mailed, postage prepaid, by registered mail, addressed, in the case of ADT and the ADT Controlled Companies, to 155 Sixth Avenue, New York, N.Y., or, in the case of Grinnell, to 260 West Exchange Street, Providence, R.I., or to such other addresses as any party may hereafter advise the others in writing for this purpose.

In Witness Whereof, the parties hereto have caused this agreement to be duly executed, as of the day and year first above written.

[fol. 2146] Grinnell Corporation, By ——, ——, President. American District Telegraph Company, By ——, ——, President. The American District Telegraph Company, (Alabama); American District Telegraph Company, (Los Angeles) (California); American District Telegraph Company of San Francisco, (California); The American District Telegraph Company, (Colorado); American District Telegraph Company, (Connecticut); American District Telegraph Company, (Delaware); American District Telegraph Company, (Florida); American District Telegraph Company, (Georgia); American District Telegraph Company, (Illinois); American District Telegraph Company, Inc., (Indiana); American District Telegraph Company of Iowa, (Iowa); American District Telegraph Company, (Kansas); A.D.T. Company, (Kentucky); American District Telegraph Company, (Louisiana); The American District Telegraph Company of Baltimore City, (Maryland); American District Telegraph Company, (Michigan); American District Telegraph Company, (Minneapolis) (Minnesota); The American District Telegraph Company of Minnesota, (Minnesota); American District Telegraph Company, (Missouri); The American District Telegraph

Company, (Nebraska); A.D.T. Company, (New Jersey); A.D.T. Company, Inc., (New York); [fol. 2147] A.D.T. Company, (North Carolina); The American District Telegraph Company of Cleveland Company, (Ohio); The American District Telegraph Company of Columbus, Ohio, (Ohio); The American District Telegraph Company, (Dayton) (Ohio); The American District Telegraph Company of Ohio Company, (Ohio); American District Telegraph Company of Cincinnati, Ohio (Ohio); American District Telegraph Company of Toledo, Ohio, (Ohio); The American District Telegraph Company of Oklahoma, (Oklahoma); American District Telegraph Company, (Oregon); The American District Telegraph Company of Pennsylvania, (Pennsylvania); American District Telegraph Company, (South Carolina); American District Telegraph Company of Dakota, (South Dakota); A.D.T. Company, (Tennessee); American District Telegraph Company of Texas, (Texas); American District Telegraph Company, (Utah); A.D.T. Corporation, (Virginia); American District Telegraph Company of Washington, (Washington); Seattle American District Telegraph Company, (Washington); American District Telegraph Company, (Washington, D. C.) (West Virginia); American District Telegraph Company of Milwaukee, (Wisconsin); American District Telegraph Company of Wisconsin, (Wisconsin); American District Telegraph Company, (Maine); American District Telegraph Company, (Massachusetts). By ——, ——, President of each of said companies.

[fol. 2148] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 92

Controlled Companies of
AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Offices, 155 Sixth Ave.
New York 13, N.Y.

E. Gaston
President

June 19, 1959.

Mr. C. H. Rison, Treasurer
Grinnell Corporation
260 West Exchange Street
Providence 1, Rhode Island

Dear Clarence:

Since I received your letter of April 3, 1959 with reference to the two central station contracts which were converted to local alarm contracts, we have had a number of talks with you as to a fair basis on which our differing views might be resolved.

As you know from our talks, the suggestion made in your letter is entirely unacceptable. Mr. Gaillard has advised us that, in his opinion, the conversion of these contracts caused Grinnell's right to receive payments pursuant to Article II (C) of the agreement of sale to terminate and, further, the conversion caused the installed devices to be deemed fully paid for, with full legal title passing from Grinnell to ADT. We cannot therefore accept your suggestion, which would assume continued ownership of the devices by Grinnell.

Mr. Gaillard's opinion concedes that, because the installed devices were not physically removed at the time of the conversion, one question is not answered by specific language in our agreement of sale. That question relates to the provision in the agreement to the effect that a discontinued central station contract may reacquire its "Service Contract" status if central station supervisory service is resumed within 6 months after the removal of devices. If the devices are not physically removed upon a conversion to local alarm service, is the start of the 6 months

period deferred to an indefinite date in the future when they may be removed?

Mr. Gaillard does not believe that the agreement should be construed to contemplate such a deferral of the start of the 6 months period. He feels that the conversion to local alarm service may rather be deemed to be a constructive [fol. 2149] removal (and reinstallation) for the purpose of fixing the start of the period,—so that, more than 6 months now having elapsed since the conversion, any contingent rights of Grinnell under the resumption-in-6-months provision have now terminated.

Inasmuch as the question is not covered by specific language in our agreement, and inasmuch as you have taken the position that the resumption-in-6-months provision causes you still to have a contingent property right in the devices, we are prepared to make a payment to you in the amount of $7,500. as a final purchase price payment for any rights or interests in the devices you may have or may hereafter become entitled to under the agreement of sale.

If this meets with your approval and you will so indicate on the copy of this letter, payment of said amount will be remitted.

Very truly yours, E. Gaston, President.

Approved:

Grinnell Corporation, By J. D. Fleming, President.

[fol. 2150] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 93

Controlled Companies of
AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Offices, 155 Sixth Ave.
New York 13, N.Y.

E. Gaston
President

January 13, 1959.

Mr. Thomas P. Drew, President
Automatic Fire Alarm Company
120 West 42nd Street
New York 36, N.Y.

Dear Mr. Drew:

This is in further reference to my letter of January 2, 1959, respecting contract extension, in which I indicated my intention to submit this Company's position for your study and consideration.

You are aware of our basic displeasure with the terms of the contract of February 18, 1954. Fundamentally, we feel that the contract is inequitable since AFA enjoys a greater participation in the contract proceeds than can possibly be justified from its prescribed contribution which is limited to contract negotiations and renewals and provision of the minimum requirements of transmitters and manuals. We have expressed ourselves to this effect in the past. In fact, the contract of February 18, 1954 was executed only as a stopgap arrangement because of the pressure of time and the seeming inability of our respective companies to reach satisfactory understanding. At that time all concerned recognized an obligation to continue to supply service to our subscribers while the differences were further debated.

The inequity of the present agreement lies in the pyramiding effect of payments made to AFA in virtual perpetuity and the further effect of entitling your company to share percentagewise in contract renewal increases made necessary mainly because of increased operating costs borne almost exclusively by ADT.

[fol. 2151] Your position, as I understand it, is simply that you see no justification for recommending to your Directors any reduction in your company's participation in gross contract revenue. I do not presume to suggest what you might say to your Board of Directors but there appear to be ample reasons and every justification for such a recommendation to your Directors or stockholders. Certainly the paramount justification would be that failure to reach an amicable, fair, workable agreement might react to the disadvantage of both companies and their respective stockholders.

Further justification is found in the practical realization that subscriber resistance to rate increases is bad for our business. Such rate increases are an economic necessity where dictated by rising costs, but are an unnecessary aggravation in the four cities to the extent that the annual payments to AFA are in excess of the reasonable and profitable worth of the function performed by that company. Only our competitors gain from this aggravation.

The stock answer to all our objections to the terms of the contract just extended has been that we have the remedy of reversal of position at our command. However, reversal is not a complete remedy nor was it ever intended as such. Reversal does nothing to lessen the competitive burden. Reversal is impractical and unattractive to ADT and we feel it should be limited to unusual situations. ADT has many subscribers in the four cities who operate on a national basis. We have established ourselves with such subscribers to the extent that they expect us to serve them and rely on us to engineer their complete protection. We would be placed in an embarrassing position if we found it necessary to tell such important subscribers that we could not serve them in the four cities but would have to turn all or part of their protective service over to another company. True, this may not influence AFA's thinking but it is of extreme importance to ADT, since it might well affect our national position.

As an illustration of the pyramiding effect of the present arrangement, ADT, in 1953 (the last full year of the agreement which expired on 2/18/54), paid to AFA the sum of $424,149 as its participation in SS & WF contract proceeds.

[fol. 2152] Since that time, ADT's rates and AFA's participation have increased 28.2%. Such increased participation manifestly is very many times AFA's annual outlay for its prescribed agreement undertakings.

As a further illustration of the inequity of the terms of the contract just expired, I attach an estimate (Exhibit No. 1) of AFA's net earnings, after taxes, derived during their probable service life of 19 years, from service contracts negotiated by AFA during the calendar year 1957. These service contracts are, of course, those which have been submitted by AFA to ADT. The expense estimates perforce are based upon ADT's experience which we have assumed are reasonably close to AFA's experience. AFA's expenses might indeed be less than ADT's in which event the inequity would be enhanced. As shown, AFA's estimated yield, after taxes, is equal to approximately 40% of revenue and to 71% of capital invested. This compares with ADT's countrywide return of approximately 8% of revenue, after taxes, and of approximately 5.8% of capital invested.

Supporting calculations are shown on Exhibits No. 2 to No. 5 inclusive. Distribution between the companies of the revenue from these same 1957 service contracts is shown on Exhibit No. 6. You will see from this that ADT nets less than nothing from gross revenue of practically four million dollars over the full 19-year period. How can that be justified from any business or cooperative standpoint?

It would seem entirely proper and reasonable to limit AFA's profit to 100%, before taxes, over the cost of contract negotiations and renewals, plus the cost to furnish transmitters and manual fire alarm boxes. As applied to the attached sample estimate, this would produce a figure of approximately $390,000, or approximately 10% of the projected contract proceeds, instead of the 25% presently received by AFA. Such participation by AFA would reduce its net return on revenue from approximately 40% to 25% which compares with approximately 8% for ADT. ADT proposes that a new agreement be entered into providing for such distribution of revenue applying to all contracts negotiated after December 31, 1958.

[fol. 2153] Mr. MacDonald and his entire staff will be

available at your convenience to discuss the figures and to explore further all computations and conclusions referred to herein.

We further see no reason why AFA should not be required to furnish *all* transmitters and fire alarm boxes installed for the customer instead of only the minimum number required by the appropriate fire authority. There is no valid reason for such a distinction.

We are advised by counsel that your standard forms of contract with subscribers should be modified so as to extend the protection of the limitation of liability provision therein to ADT. Our agreement must require your standard forms to contain this protection for ADT.

We are referring in this letter to service contracts negotiated after the expiration of the February 18, 1954 Agreement. Although we were never satisfied with the terms of that agreement, that is history, even though in our minds it was a stopgap matter. However, the present problem is the negotiation and execution of an equitable, defensible and practicable contract to govern our relations subsequent to December 31, 1958. We have been so closely associated over such a long period that I fervently hope we can achieve a reasonable meeting of minds in the very near future. Anything else would be a most unpleasant prospect.

Sincerely, E. Gaston, President.

MT

[fol. 2154] Exhibit 1

AFA's Estimated Earnings on New Revenue Produced in 1957

	Reference	(Thousands omitted)		
Revenue	Exh. 2		$ 983	
Expenses:				
Selling	Exh. 2	$ 147		
Genl. & Admin. Exp. (1)	Exh. 4	19		
Transmitters	Exh. 5	29		
Total			195	
Earnings before Taxes			$ 788	
Fed. Inc. Taxes—50%			394	
Net Earnings			$ 394	ADT
% Earnings to Revenue			40	8%
% Annual Earnings per Capital Invested			71	5.8%

(1) Equal to 12.6% of selling expense based on ADT experience per Exh. 4. May appear low as applying to AFA Co. but could be increased appreciably without greatly disturbing the displayed result.

[fol. 2155] Exhibit 2

AFA's New Revenue Produced in 1957 Projected for 19 year Life of Contracts

		Total Revenue	Direct Sell. Cost	(Thousands Omitted)
New ANSC	1957	$ 188	$ 80	See Exhibit #3
	8	188		
	9	188		
	60	188		
	1	188		
5% Inc.	2	197	19	See Note 1 below
	3	197		
	4	197		
	5	197		
	6	197		
5% Inc.	7	207	20	See Note 2 below
	8	207		
	9	207		
	70	207		
	1	207		
5% Inc.	2	217	21	See Note 3 below
	3	217		
	4	217		
	5	217		
Sub-total		$3,828	$ 140	
A D S C		104	7	See Exhibit #3
Grand Total		$3,932	$ 147	
A F A Share—25%		$ 983	$ 147	

	Comm.	Increase		Years Certain		Comm. on increase		ADT Sales cost		
Note #1.	$188	× 1.6 plus	$9	× 5	× 3.2	= $445	× 4.3%	=	$19.
Note #2.	$197	× 1.6 plus	$10	× 5	× 3.2	= $475	× 4.3%	=	20.
Note #3.	$207	× 1.6 plus	$10	× 5	× 3.2	= $491	× 4.3%		21.

ANS = Annual Service Charge
ADSC = Advance Service Charge

		188
		04.3
188		9
01.6		5
1128		45
188		03.2
300.8		90
144.40		135
445.2		1440

[fol. 2156]

Exhibit 3

Ratio of Selling Cost to Weighted Sales Production

ADT Experience

(Thousands Omitted)

Form of Revenue	Production	Weight Factor (1)	Weighted Production	%	Sales Costs	Weighted Production	Sales Costs	%
New ANSC	$ 4,925	× 5 × 1.6	$39,400	48	$1,692	$39,400	$1,692	
Inc. on Renewals	1,380	× 5 × 3.2	22,080	27	952	22,080	952	
Renewed ANSC	6,176	× 1 × 1.6	9,882	12	423	—	—	
ADSC	5,558	× 1 × 1.6	8,893	11	388	8,893	388	
Equip. Sales.	1,233	× 1 × 1.6	1,973	2	71	—	—	
Total	$19,272	—	$82,228	100	$3,526	$70,373	$3,032	4.3
ADT experience applied to AFA's 1957 Sales Production								
New ANSC	$ 147	× 5 × 1.6				$ 1,176	$ 51	
Inc. on Renewals	42	× 5 × 3.2				672	29	
ADSC	104	× 1 × 1.6				166	7	
Total	$ 293	—				$ 2,014	$ 87	4.3

(1) Assumes that sales cost bears close relationship to sales effort measured by ADT's commission scale. We pay 1.6% of contract face value on new annual service charges, 3.2% on increases on contract renewal. Pay 1.6% of 20% of face value of old rental renewed and 1.6% of advance service charges and outright sales.

[fol. 2157] Exhibit 4

Formula for Applying General Overheads to Selling Costs
(Thousands Omitted)

	Department	Payrolls	
1	Manufacturing	$ 1,306	
2	Operating	9,143	
3	Plant	7,015	
4	Engineering	928	
5	Sales	2,566	Per summary of 1957 salaries
6	Sub-total	$20,958	
7	Adm. & Exec.	1,158	
8	Grand Total	$22,116	
9	% (Item 5 ÷ Item 6)	12.2	Average—12%
10	% (Item 5 ÷ Item 8)	11.6	

Adm. & Exec. Expenses	$1,695	
Relief Dept.	564	
Social Security Taxes	524	
Taxes other than Fed.	820	
Total	$ 3,603	Per 1957 Audit Report
O.H. applicable to Sales	$ 432—12%	
Sales Dept. Expenses	$3,417(1)	
Overhead Loading	432	
% Loading	12.6	

(1) Difference between this figure and $3,526,000 Sales Cost shown on Exh. 3 represents mainly Diversification & Expansion expense.

[fol. 2158] Exhibit 5

Amounts Billed AFA Company for SS&WF Installations Year 1957

Total Debits a/c 152-03 per Detail Ledger		81,650.10
Less: Amounts carried forward from 1956		2,130.14
Accommodation Sales ("S" and Nos.) see tape	50,855.46	
		52,985.60
Amount billed AFA on SS&WF Installations		28,664.50

[fol. 2159] Exhibit 6

Estimated Division of Earnings Developing from AFA New Revenue Produced in 1957

	Total		AFA		ADT	
	Amount	%	Amount	%	Amount	%
Revenue	$3,932	100	$ 983	100	$2,949	100
Expenses 85%	3,342	85	195	20	3,147	107
Earnings	$ 590	15	$ 788	80	$ 198	7
Fed. Inc. Tax	295	7.5	394	40	—	—
Net Earnings	$ 295	7.5	$ 394	40	$ —	—

[fol. 2160] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 94

February 13, 1959.

Mr. James D. Fleming, President
Grinnell Corporation
260 West Exchange Street
Providence 1, R. I.

Dear Mr. Fleming:

As Mr. Gaston has requested you to concern yourself with the arrangements between our respective companies, I feel I should record some of my thoughts for your consideration as well. I am sure you will agree that AFA is as jealous of its reputation as is ADT, so in terms of pride in ownership we probably start even.

ADT points out that our current arrangements are

> "inequitable since AFA enjoys a greater participation in the contract proceeds than can possibly be justified from its prescribed contribution which is limited to contract negotiations and renewals and provision of the minimum requirements of transmitters and manuals"

The balance of Mr. Gaston's letter dated January 13, 1959 seems to stress the financial side primarily, touching on customer aggravation, reversal of positions, pyramiding of amounts paid to AFA, Automatic's expenses and limitation of its profits, etc. all toward proving that AFA should cut its 25% down to 10%.

As you know, we at AFA recognized a very obvious situation, and so we advised ADT of our willingness to renew our agreement, with minor modifications, without any argument and on the same basis. Two modifications seem logical

A. Discuss the limitation of liability clause.
B. Modify the contract to cover accepted customer contracts so that they would continue to maturity should the contract between ADT and AFA terminate prior thereto.

[fol. 2161] It is now evident that we must outline Automatic's position.

For brevity I will use "Automatic" and "AFA" throughout even where reference is made to facilities previously owned by the Consolidated Fire Alarm Company and the Boston Automatic Fire Alarm Company.

Nowhere in Mr. Gaston's letter do I find any mention of, or consideration of, the history behind this entire relationship. His letter most clearly indicates however that certain arrangements and restrictions which have existed since 1907 and 1954 should be continued.

In 1907 Automatic was rolling along presumably quite happy with its lot. We had been in business a quarter of a century, we were operating profitably in New York, Brooklyn, Boston, Philadelphia and Chicago.

Prior to this date, in 1904, arrangements had been made between the McElroy interests and ADT (NDT) but for some reason or other it was felt by them that their plan must also include Grinnell and Automatic. At first an effort was made to lease Automatic's facilities but final arrangements were as we now know them.

AFA, because of certain valuable considerations, notably the 25%, agreed to certain limitations and restrictions being placed on it for a period of years. Among others, some of the restrictions were

1. AFA agreed to confine itself geographically.
2. AFA agreed to restrict itself to the fire alarm field.
3. AFA agreed to the reverse position proposition as a protection for ADT.
4. AFA agreed to hand Chicago over to ADT.

It seems very doubtful that Automatic would have agreed to these restrictions being placed upon it in 1907 for 10%.

It seems to us that ADT is quite wrong in assuming that Automatic's "prescribed contribution" is limited to "contract negotiations and renewals and provision of the minimum requirements of transmitters and manuals."

We must take the position that the geographic restrictions placed upon us plus the requirement that we confine our activities to sprinkler and fire alarm services exclusively, since 1907 and presumably into the future, has [fol. 2162] definitely retarded our expansion in the past to

the benefit of ADT growth. Automatic is still denied the right of future expansion into existing and new fields of protection services born of normal business progress. Surely Automatic's true contribution goes far beyond the "prescribed contribution." Automatic's contribution must also include the many things which helped make ADT big, and continues to do so. If these restrictions are of no value to ADT, and therefore need not even be recognized by them, surely they should be completely removed.

Being unrealistic for a moment, why not eliminate all restrictions on both companies and after handing back to AFA all contracts owned by AFA let both go their own way. We at AFA believe we are every bit as competent as is the average independent central station operator and should be able to hold our heads above water and quite possibly compete with a fair degree of success against ADT, Holmes and all the others. Frankly we would welcome it —however back to reality.

AFA feels it would be pointless to debate the figures submitted by ADT, since it would be impossible to evaluate our true contribution consisting of geographical and other restrictions which still apply. After all Automatic sees no future in merely acting as a sales agent for ADT at 10%.

However, ADT's figures bring into focus a possible acceptable solution. If they are convinced that our sprinkler service functions can be equitably assumed for 10% Automatic will gladly exchange places with ADT and agree to have them take over our present responsibilities and we in turn agree to install, maintain and operate such future agreements, we to retain 90% and return 10% to ADT.

I would be happy to discuss this further with you at your convenience.

Yours very truly, Automatic Fire Alarm Company,
[Thomas P. Drew], Stipulation No. 1, President.

TPD:MAT

[fol. 2163] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 95

February 6, 1959.

Mr. J. D. Fleming, President
Grinnell Corporation
260 West Exchange Street
Providence 1, Rhode Island

Dear Mr. Fleming:

When the agreement between ADT and AFA expired in 1954, two new contracts were executed. One covered service contracts written up to February 18, 1954 and continues during the life of the service contracts involved. The second agreement covered service contracts written after February 18, 1954 and expired by its terms on December 31, 1958.

It was understood that the ADT and AFA officials were to deal at arms length in negotiation of a new agreement applying to service contracts written after December 31, 1958. We understood further that the ADT Board, and particularly the Grinnell officials, preferred not to participate directly or indirectly in such negotiations. We have tried to follow that direction but to date have made no progress beyond extension of the agreement to expire March 31, 1959.

When our oral discussions bore no fruit, I wrote Mr. Drew outlining in some detail our objections to the existing contract and our recommendations for modification of the terms of any new contract. Some of the items were suggested by Mr. Fritz or his associates but most of the presentation is an expression of our own views and opinions. Copy of our submission of January 13, 1959 is attached for your information and review. I believe it makes a clear-cut and incontrovertible case for ADT's position that the present stopgap agreement is unconscionable and indefensible and that the terms of any new contract should be more favorable to ADT.

[fol. 2164] Subsequent discussions with Mr. Drew have failed to move him and he remains unwilling to propose or agree to any modifications of the terms of the present agreement. His idea of arms length dealing seems to be to stand

pat whereas I interpret it to mean that we should negotiate as though both companies were independently owned.

Ordinarily I would report our efforts and our impasse at the next Board meeting, requesting further clarification of the direction to deal at arms length. However, I hesitate to include this material in the official records of the Board without having previously directed it to your attention. If you prefer, I will present it for Board consideration at the February or March meeting.

I believe I understand and thoroughly appreciate your desire to have the officials of the two companies deal at arms length with one another and regret that I have not succeeded in following through to a successful conclusion. I may have misconstrued your direction and would appreciate clarification and counsel before proceeding further.

We have only a little more than one month to go after the February meeting of the Board which is not much time to decide in what manner we may work with the AFA Company after March 31, 1959.

I have informed Mr. Drew of my intention to bring this matter to your attention unofficially.

Yours very truly, [E. Gaston], Stipulation No. 1, President.

MT

[fol. 2165] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 96

June 29, 1956.

Mr. J. A. MacDonald,
First Vice President.

Rate Development

Introduction

Presented herewith are the results of a study, just completed, of all the financial considerations deemed pertinent to a proper appraisal of the propriety of our current service charges and to a sound development of a schedule of rate revisions which will assure us of satisfactory earnings for the foreseeable future.

As the last such presentation, dated August 29, 1955, was apparently found to be entirely satisfactory by the several who received copies, this current study has been patterned, essentially, in identical fashion.

Immediately following this letter is a list of the exhibits attached, of which there are 16, identified with the letters "A" through "N." Except for Exhibits C, D, L, M and N, representing additional features, and except for a somewhat different alphabetical arrangement, the attached exhibits are similar to those contained in the 8/29/55 submission. In bringing these statements up to date, we have not only added the results of 1955 operations, but, to the extent possible, have caused them to reflect estimated results for 1956, based on this year's formal budget.

Since no significant changes in trends, revenue or expense-wise, have transpired, the explanations and observations contained in the 8/29/55 report remain apropos and, accordingly, will not be repeated, but merely referred to in this discourse as seems necessary to clear understanding.

On reviewing the attached exhibits, comments respecting which immediately follow, it will be observed that most dollar amounts have been expressed in thousands and all percentages have been carried to the nearest tenth.

Exhibits A—*Condensed Summary of Earnings For Six Years Ending 12/31/56*

In comparing this statement with its counterpart in the 8/29/55 study, it will be observed:

1. That it has been separated into two parts, A and A-1, the first covering current and past earnings, and the second, a five-years earnings projection.
2. That, pursuant to decision you and I reached in a recent discussion, depreciation, as reflected on the Company's books, is the result of the application of the sum-of-the digits method of calculation, which, compared to results obtained under the straight-line method, produces, for the years 1954, 1955 and 1956, excesses of $425,000, $800,000 and $1,474,000, respectively.

[fol. 2166] 3. That, in view of the adoption of the accelerated method of calculating depreciation and

the consequent effect on operating ratios, depreciation is shown separately.

4. That, with the aim of adding significance to the statement, annual increases in revenue, expenses and earnings have been expressed in percentages.

While not clearly depicted, it may be observed that, exclusive of accelerated depreciation charges, and as a consequence of diminishing payments to other companies, earnings ratios have started to improve.

Exhibit A-1—*Earnings Projection For Five Years Ending 12/31/60*

In view of the constancy of the relationship between net increase in volume of business and force increases, and between wage rate and service rate increases, over the past several years, as demonstrated in the other exhibits attached, this projection has been developed on the basis that the elements mentioned will continue substantially as in the past.

Operating expenses, exclusive of depreciation and payments to other companies, have again been listed separately from those items, as in the case of Exhibit A. Since operating expenses have been increasing over the past six years at the average annual rate of 7.9%, the projection contemplates that they will continue in that manner in the future, with the exception that the annual increase has been rounded out to 8%.

A ratio of 3 to 2 has been maintained consistently since 1950 between total revenue and operating expenses and, accordingly, revenue was projected on the basis that it will be 150% of operating expenses. Incidentally, it is interesting to note that the ratio of revenue to operating expenses, for the first four months of this year, is only slightly less than 150%, and is expected to restore to normal before the year is up.

Depreciation has been projected on the basis of the formula in use by the Accounting Department and, as will be observed, it mounts quite rapidly, tending to distort normal ratios. For this reason, and for comparative purposes, the lower half of the exhibit shows the projection

adjusted to reflect depreciation calculated on the straight-line method.

Payments to other companies during the years to 1960 will remain fairly constant, due to the fact that, although payments to Grinnell will be on a downward trend, those to AFA are increasing to almost the same relative extent. This net constancy is the feature which leads to the improvement in the projected earnings ratios, thus reflecting substantially the net improvement resulting from our increased participation in S.S. & W.F. revenue.

Exhibit B—*Summary of Payroll Expenditures For Six Year Period Ending 12/31/56*

Except for one change, this statement is comparable to Exhibit C of the 8/29/55 submission. The previous years', rather than the fifth prior year's expenditures, have been used as the bases for the development of the percentages of average annual increases. Aside from this, it will be observed:

[fol. 2167] 1. That the 8.1% average increase in total payroll expenditures closely approximate the 8.3% average increase in revenue, indicating that the periodical revisions in our M.B.R. involved an accurate forecasting of rising labor costs, our major item of expense.

2. That the annual increases in M. & M. payrolls have been consonant with new business growth.

3. That engineering costs continue to mount considerably more rapidly than revenue.

4. That the ratio of Operating Department labor costs to revenue improves as volume increases. (This improvement accrues among the small and medium size offices, where increased volume permits a greater utilization of stand-by time).

5. That Plant Department payrolls remain in constant relationship to revenue, indicating that no significant benefits in this area of activities are obtainable from increased volume.

6. That due to the addition of trainees and a disproportionate increase in non-production forces, Sales payroll expenditures have risen more rapidly than

revenue. As trainees become productive and the efforts of the non-production forces start to bear fruit, this adverse trend will likely be checked, if not reversed.

7. That, as might be expected, Administrative and Executive payrolls have declined, percentage-wise, in relation to revenue as volume increased.
8. That the over-all increase in payrolls (9.2%) estimated for 1956, is reflective of the result of last year's labor contract negotiations.
9. That approximately ¼ of our annual payroll increases represents force increases, indicating that general, merit and length of service increases amount to approximately 6% per annum.

Exhibit C—*Comparative Ratios of Payrolls to Accrued Revenue*

Some weeks ago, Mr. Healy, of Holmes Electric Protection Company, phoned me to inquire what relationship our total payrolls bear to total accrued revenue. Exhibit C reflects the ratio information exchanged. Oddly, if not surprisingly, despite our relatively larger manufacturing and engineering forces, and in consideration of our widely scattered operations as against those of the Holmes Company, its ratios have been higher than ours.

While the subject ratios of both companies, during the past five years, have remained remarkably constant, it may be significant that Holmes has achieved that record during a period when (according to reports) its volume, in terms of number of subscribers, has remained static, while ours has increased.

In any event, the constancy of our ratio of payrolls to revenue again indicates an alertness to the necessity of increasing service rates in proportion to increasing costs.

[fol. 2168] Exhibit D—*Summary of Average Authorized Monthly Salaries Since 1946, Per Report of Operations*

The development of this data was prompted by a request received from one of our West Coast representatives, Mr. Heming, for information justifying our constantly rising rates.

As will be noted, the cumulative increase in monthly sal-

ary rates during the past nine years amounted to 86.5%, which, by the end of this year, after merit and length of service increases have been effected, will closely, if not exactly match the 88.4% increase in ANSC rates promulgated since 1946, as reflected on Exhibit G.

The average annual salary increase of 7.2%, on the basis of general statistics we have seen, appears to have been entirely consistent with the practice of industry in general during the period in question. It is also interesting to note that the new Western Union contract, recently negotiated, provided for an increase of a little better than 7%, and it is predicted that the steel industry's new contracts, presently under negotiation, will probably result in a similar grant.

Exhibit E—*Statement of Five Year Net Growth in Business Volume, Expressed in Terms of Plant Units*

This statement is similar to Exhibit D of the 8/29/55 presentation, the only change made representing the inclusion of L.A. and D.C. units, which were eliminated from the former statement.

While volume has expanded at a constant and uniform rate, it has not kept pace with the increase in gross national product, plant expansion and the general economic growth of the country.

Exhibit F—*Ratio of Units to Employees by Departments—1950 to 1955, Inclusive*

This exhibit attempts to measure our productivity record for the most recent five years. Except for the fact that units, rather than subscribers, have been used as a measure, it is similar to Exhibit N of the 8/29/55 submission, and, as the reflected results are comparable, the observations contained in the 8/29/55 study still apply. Briefly, the following conclusions may be drawn:

1. That aside from the executive and administrative branch of the business, which represents only 6% of total payrolls, productivity has improved only in the Operating Department, which improvement, as mentioned earlier, is attributable to a greater utilization of stand-by time in the small and medium size

offices—offices which have not reached a 1.0 to 1.0 ratio of man hours per week, per subscriber.

2. That we have not shared in the substantial benefits enjoyed by many industries as a result of automation and technological advances.
3. That increased volume, while it improved gross revenues and earnings, has contributed little toward an improved earning ratio.
4. That, in the light of the foregoing, there must obviously follow recognition that, if earnings ratios are to be maintained, increased service rates must, to a large extent, be relied upon to cover increased rates for labor, rents, wire rentals, materials, etc.

[fol. 2169] Exhibit G—*Summary of ANSC Rate Increases (%) Announced Since 1946*

This exhibit represents a summarization of the information displayed on the 8/29/55 Exhibit E (revised to include the 1/1/56 rate increase) the former comments respecting which are still applicable and appear sufficient.

As mentioned earlier with respect to Exhibit D, service rate increases have closely paralleled wage increases, substantiating the observation made in connection with Exhibit F that almost full reliance must be placed on increased M.B.R. to cover increased costs other than for expansion.

Exhibit H—*Rate Increases Applicable to Renewals During Twelve Years Ending 12/31/60*

This exhibit has been compiled in the exact form of Exhibit H of the 8/29/55 study, and the observations made at that time remain equally pertinent.

Exhibit I—*Effect of Rate Increases on Renewals for Six Years Ended 12/31/55*

This exhibit supersedes Exhibit G of the 8/29/55 submission and, in addition to the comments made at that time, it may be observed:

1. That the variances between applicable and actual increase percentages fluctuate widely. This is due, I suspect, to a combination of circumstances, in-

cluding (1) the irregular effectuation of rate revisions, (2) irregular contract expiration dates, (3) delinquent renewals, (4) varying proportions of substandard contracts, and possibly other conditions which do not come to mind.

2. That 23.8% of contracts renewed during the past 6 years have been renewed at no rate increase. While I am aware of the fact that it is common practice to renew contracts prior to their normal expiration dates when additions or changes in service are made, it seems almost unbelievable that renewals made under such circumstances would represent nearly a fourth of the total renewals. Possibly we should arrange to have the Accounting Department, or the Systems & Procedures group during their scheduled survey of activities in the Contract Review & Audit Bureau, check into this situation to determne the circumstances. Such an investigation might suggest some change in accounting procedures. It could be, for instance, that by renewing contracts under the foregoing circumstances, we may be denying ourselves certain improved revenues which would accrue, if additional services were to be covered by supplements to the original contracts. In any event, it does seem that we should know more about renewals made at no rate increase.

Exhibit I-1—*Effect of Rate Increases on Renewals for Six Years Ended 12/31/55*

This exhibit differs from Exhibit I, only in that it excludes from consideration the aforementioned questionable factor, namely, renewals made at no rate increase. The figures displayed call attention to two things:

1. That rates applied to normal renewals are apparently substandard by approximately 10%.
2. That the trend in the deficiency in charges secured suggests, possibly, a growing resistance to increasingly higher rates.

[fol. 2170] Exhibit J—*Statement of Effects of Rate Increases on Accrued Annual Service Charges*.

This exhibit, as did Exhibit F of the previous study, indicates that, while the average annual increase in rates amounted to a composite 6.7%, the net effective annual improvement in revenue amounted to only 4.9%. The indicated differential in percentages is due to several circumstances. Failure to secure M.B.R., delays in negotiating renewals, effects of discontinuances, variations in rate increases applying to the various services, disproportionate volumes of sales as between the various services, and the accidentals which are bound to be inherent in any mathematical approach such as must necessarily be applied in this situation, are all factors which contribute to the discrepancy which constantly prevails between announced rate increases and revenue benefits derived.

Exhibit K—*Analysis of Sources of Increased ANSC for Five Year Period Ending 12/31/55*

This statement, which is a counterpart of Exhibit I of the 8/29/55 presentation, is submitted merely to support the approximate accuracy of Exhibits E and J. It differs from the former Exhibit I only to the extent that the percentages appearing on line 4 represent ANSC increases in place of increases in total revenue which included outright sales and advance service charges.

The differences (line 5) between the actual increase in ANSC (line 4) and the theoretical increases (line 3) are largely, if not entirely, due to the higher rates at which new business is written.

Exhibit L—*ANSC Rate Increase Protection Through 1960 Predicated Upon Past Practices*

This statement, as indicated, is a projection of the effects which may be expected to develop if we should continue to increase our M.B.R. periodically as we have done during the past 10 years, and as contemplated in the earnings projection reflected on Exhibit A-1.

Exhibit M—*Summary of C.S. Cities Grouped in Declining Order of Earnings Ratios Per 1955 Forms 396*

Ordinarily our competitors' businesses are not burdened by substandard and deficit operations. Under our system operation, we look to the good offices to support the poor to the degree necessary to produce a satisfactory system earnings ratio. In effect, we peg our service rates at a level which will produce, in the good offices, excess earnings sufficiently large to absorb the deficiencies in the remaining offices. Obviously, unless the "system operation" advantages, such as those normally expected to accrue from volume buying, better supervision, standardization, technological advances, etc., are sufficiently great to outweigh the deficits of substandard operating units, there results a net competitive disadvantage.

In any event, Exhibit M is introduced to reflect the effects our substandard operations have upon revenues, earnings and indirectly on rates. Based on the figures displayed, of the 110 cities in which we maintain central station service, 46 have individual earnings ratios of 17.2% (system average) or better, for an average earnings ratio of 21.2%, and account for 68.6% and 84.9% of total revenue and earnings, respectively. Thus there are produced in these cities excess earnings (earnings in excess of 17.2% of revenue) of $988,000, which excess compensates for a deficiency, in like amount, suffered by the remaining 64 offices, whose net average earnings ratio is only 8.3%. [fol. 2171] Incidentally, it may be noted that the final results appearing on this exhibit do not quite correspond with those appearing on forms 396, the difference being due to the rounding out of the figures to even thousands. Furthermore, it should be borne in mind that the depreciation, as it appears on forms 396 and included in the expenses on this exhibit, was calculated on the straight-line method, which explains the differential between the 17.2% mentioned herewith and the approximate 15% earnings ratio reflected on Exhibit A.

Exhibit N—*Costs Peculiar To ADT Operations To Which Competitors Are Not Subjected*

This statement would appear to be entirely self-explanatory. It is presented to point up some of the major factors which contribute in substantial measure to the necessity for establishing rates which, in some areas, are creating difficult competitive situations. In addition, higher overheads and presumably higher than average direct labor costs, in some sections at least, are additional factors which are reflected in our relatively high rates.

Conclusion

All of the foregoing represents an earnest effort to supply the facts and figures necessary to the development of a broad, fundamental price policy. No attempt has been made to treat with such matters as possible changes in rate differentials between services, and between advance and annual charges, or the advisability of establishing rate differentials as between cities or districts, or as between subscribers adjacently and remotely situated from the central station—these are details which can be dealt with effectively only after a broad philosophy, or program, has been established.

The urgent need, at this time, to decide on a policy or program, is not a unique situation—managements of most American industries are confronted with the same problem of deciding how best to combat rising costs and competition. Kiplinger, following comments respecting the current steel labor negotiations, pointed up this universal problem in the following closing remarks of one of his recent weekly letters:

> "*Then price increases in other things,* notably lines using steel. . . . They will have to pay more for their steel, which is one reason. . . . They will have to pay higher wages, for steel wages will set a pace.
> *Two restraints on price increases:* (1) The rise in productivity, which tends to offset higher wage costs—in some cases but not all. (2) Competition, the inability or unwillingness of people to pay more, and this will continue to squeeze profits . . . and to stimulate ingenuity.

Net, we think prices will rise . . . over long pull of future years, notching up from year to year . . . and it it may pay you to plan accordingly."

As I see it, there are several courses we might pursue:

1. We might continue the practice, as is contemplated in the earnings projection reflected on Exhibit A-1, of increasing our ANSC at an average annual rate of 6.7%. This would have the effect, theoretically, of increasing revenue $400,000 per annum—(New business and renewals, approximately $4,000,000 [fol. 2172] each, at an effective rate increase of approximately 5%). Such increase in revenue, assuming it could be achieved, would, based on our current earnings ratio, be the equivalent of earnings, before taxes, on approximately $3,000,000 new business. The amount of discontinuances we might suffer, and the amount of potential new business we might fail to secure, as a result of an announced rate hike, effective 1/1/57, is, of course, problematical and is a question only Mr. Smith is qualified to appraise.
2. We might refrain from attempting to recover from current revenues the additional charges to current operations, representing the results of the adoption of an accelerated method of calculating depreciation. It can be argued that such a change in the method of calculating depreciation represents only a change in bookkeeping, and should, really, have no effect on prices. If this view is taken, and in consideration of our increased participation in S.S. & W.F. revenues, we could afford, I believe, to maintain our current rates through 1957.
3. We might consider the advisability of converting, if possible, a few of the most substandard central stations to direct-connected operations, as a means of improving system earnings ratios. It is not uncommon for chain organizations to relieve themselves of unprofitable units, once they are satisfied that all reasonable efforts have been exerted to make them profitable. Nationally operated chain outfits, such as Sears Roebuck, Penney, Woolworth,

etc., are constantly adding and eliminating locations in an effort to secure maximum operating coverage and profits. While our operations are not sufficiently flexible to engage in that practice to the same degree, there should be no hesitancy to discontinue a deficit operation after all efforts to remedy the situation have been exhausted.

4. We might, in order to remain as competitive as possible, consider the advisability of holding prices and reconciling ourselves to a smaller profit return. I presume this would be a matter for the Board to decide, after sales and earnings projections, based on such a program, have been developed.

5. We might continue to increase our rates, generally, and nominally, but on a more or less flexible basis by giving ground where we must to secure our fair share of the potential. This, of course, would tend to diminish our earnings ratio.

6. We might gear our operations for mass rather than class production. I don't doubt but what, as a result of our cumulative engineering efforts and improvements in manufacturing processes, our devices are, by and large, the finest in the protection field. I also imagine that our operating and maintenance services are superior. However, if we can't convince the public of these facts to the extent of getting it to make commensurate payment for the superiority of our product, it may be that we have reached the point of diminishing returns. If so, possibly we should drop our standards a peg or two—not necessarily to the level of our competitors, but at least to the extent that we won't be competitively outclassed. Obviously, we can't use the finest quality materials and meet, precisely, every rule and regulation and hope to match, even closely, the prices quoted for services which are immeasurably inferior. The opinions of our department heads in this connection should be solicited, if the plan appears to warrant consideration.

[fol. 2173] 7. We might consider developing a sales "crash" force for the purpose of going from one

substandard town to another with the aim of exhausting all potential in those towns as quickly as possible. Additional business in these locations, where neither forces nor facilities are utilized to full capacity, will yield, ratio-wise, the greatest profit return.

8. Finally, we might consider embarking upon an economy program which would, by far, be the most salutary solution to our problem. I believe we could adopt a more frugal way of life without unduly affecting either our service or the morale of our people. I am confident that by bearing down a bit we can curtail some prevailing wastes and extravagances. A more careful and critical view of miscellaneous expenses, travel expenses, in fact, all expenditures, could, I believe, result in important savings. We might consider freezing all rosters covering nonproductive employees and establish more stringent requirements for proving in the need for replacing such employees when they leave us, for one reason or another. Most companies find it necessary, or desirable, from time to time, to tighten their belts in an effort to stretch their dollars. The adoption of the so-called "Simplified Drafting" technique by such companies as General Electric, International Harvester, Radio Corp. of America and I.B.M. (as reported in The Wall Street Journal article I sent to you a few days ago) with a resultant saving of 25%-35% in drafting time, is a good illustration of what industry is doing to cut corners in an effort to reduce costs and hold their prices at a competitive level.

Our current exploration of the possible application of automation to our business is a constructive effort. However, it is still in an embryonic stage and it is far too early to predict the eventual results. It may, conceivably, prove to be entirely uneconomical. In any event, we should in the meantime, seek other, if less spectacular, means of reducing costs.

Briefly, and in summarization, our problem begs answers to the following questions:

1. What must be done to combat constantly rising costs?
2. Can we afford, competitively, to continue the practice of regularly increasing rates?
3. Should we lower our equipment and service standards?
4. Should we inaugurate an economy drive?
5. Are there other possible solutions to the problem?

These are difficult questions, the proper solutions to which demand the careful attention and best thinking on the part of all of us directly concerned.

C. G. Eicker, Controller.

AL

cc: Mr. E. Gaston, Mr. J. Hannon, Mr. A. E. Smith.

[fol. 2174] List of Exhibits

Attached Exhibits	Title
A	Condensed Summary of Earnings for Six Years Ending 12/31/56.
A–1	Earnings Projection for Five Years Ending 12/31/60.
B	Summary of Payroll Expenditures for Six Year Period Ending 12/31/56.
C	Comparative Ratios of Payrolls to Accrued Revenue
D	Summary of Authorized Monthly Salaries Since 1946, Per Report of Operations.
E	Statement of Five Year Net Growth in Business Expressed in Terms of Plant Units.
F	Ratio of Units to Employees by Departments—1950 to 1955, Inclusive.
G	Summary of ANSC Rate Increases (%) Announced Since 1946.
H	Rate Increases Applicable to Renewals During Twelve Years Ending 12/31/60.
I	Effect of Rate Increases on Renewals for Six Years Ended 12/31/55.
I–1	Effect of Rate Increases on Renewals for Six Years Ended 12/31/55.
J	Statement of Effects of Rate Increases on Accrued Annual Service Charges.
K	Analysis of Sources of Increased ANSC for Five Year Period Ending 12/31/55.
L	ANSC Rate Increase Projection Through 1960, Predicated Upon Past Practices.
M	Summary of C.S. Cities Grouped in Declining Order of Earnings Ratios.
N	Costs Peculiar to ADT Operations to Which Competitors Are Not Subjected.

[fol. 2175]

Exhibit A

Condensed Summary of Earnings for Six Years Ending 12/31/56

Year	Total Revenue	Operating Expenses	Depreciation	Payments Other Cos.	Total Expenses	Earnings Before Taxes	Earnings Ratio
1951	$26,967	$18,092	$2,737	$2,091	$22,920	$4,047	15.0
1952	29,344	19,628	2,916	2,339	24,883	4,461	15.2
1953	31,673	21,133	3,445	2,540	27,118	4,555	14.4
1954	33,982	22,861	4,305	2,071	29,237	4,745	14.0
1955	36,852	24,476	4,891	1,912	31,279	5,573	15.1
1956 (Est.)	40,216	26,414	5,791	1,861	34,066	6,150	15.3
			% Annual Increase				
1952	8.8	8.5	6.5	11.9	8.6	10.2	—
1953	7.9	7.7	18.1	8.6	9.0	2.1	—
1954	7.3	8.2	25.0	18.5	7.8	4.2	—
1955	8.4	7.1	13.6	7.7	7.0	17.4	—
1956	9.1	7.9	18.4	2.7	8.9	10.4	—

[fol. 2176]

Exhibit A-1

Earnings Projection for Five Years Ending 12/31/60

Year	Total Revenue	Operating Expenses	Depreciation	Payments Other Cos.	Total Expenses	Earnings Before Taxes	Earnings Ratio
1956	$ 40,216	$ 26,414	$ 5,791	$1,861	$ 34,066	$ 6,150	15.3
1957	42,791	28,527	6,932	1,853	37,312	5,479	12.8
1958	46,214	30,809	7,654	1,848	40,311	5,903	12.8
1959	49,911	33,274	8,661	1,846	43,701	6,130	12.3
1960	53,904	35,936	9,677	1,848	47,461	6,443	12.0
Totals	$233,036	$154,960	$38,715	$9,256	$202,931	$30,105	12.9
%	100	66.5	16.6	4.0	87.1	12.9	

Above Adjusted to Reflect Depreciation Calculated on Straight Line Method

1956	$ 40,216	$ 26,414	$ 4,483	$1,861	$ 32,758	$ 7,458	18.5
1957	42,791	28,527	4,885	1,853	35,265	7,526	17.6
1958	46,214	30,809	5,035	1,848	37,692	8,522	18.4
1959	49,911	33,274	5,641	1,846	40,761	9,150	18.3
1960	53,904	35,936	6,221	1,848	44,005	9,899	18.4
Totals	$233,036	$154,960	$26,265	$9,256	$190,481	$42,555	18.3
%	100	66.5	11.2	4.0	81.7	18.3	

[fol. 2177]

Exhibit B

Summary of Payroll Expenditures for Six Year Period Ending 12/31/56

Year	M&M	Eng.	Oper.	Plant	Sales	Exec.	Total	Increase	% Inc.
1951	$ 895	$ 542	$ 6,386	$ 4,397	$ 1,173	$ 849	$14,242	$ —	—
1952	1,101	602	7,006	4,810	1,420	905	15,844	1,602	11.2
1953	1,224	657	7,392	5,155	1,574	958	16,960	1,116	7.0
1954	1,102	712	7,940	5,688	1,766	1,100	18,308	1,348	7.9
1955	1,209	769	8,253	5,958	2,040	1,116	19,345	1,037	5.7
1956 (Est.)	1,327	940	8,870	6,576	2,221	1,191	21,125	1,780	9.2
Totals	$6,858	$4,222	$45,847	$32,584	$10,194	$6,119	$105,824	$6,883	48.3
% of Total	6.5	4.0	43.3	30.8	9.6	5.8	100	—	—
5-Year Increase	432	398	2,484	2,179	1,048	342	6,883	—	—
% Increase	48.3	73.4	38.9	49.6	89.3	40.3	48.3	—	—
% Av. Annual Inc.	7.8	12.1	6.7	8.4	13.1	6.9	8.1*	—	—

* Approximately ¼ of the 8.1% increase represents pay of increased forces.

[fol. 2178] Exhibit C

Comparative Ratios of Payrolls to Accrued Revenue

Year	Accrued* Revenue	Payrolls	ADT Ratio (%)	Holmes Ratio (%)
1951	$26,967	$14,242	52.0	56.0
1952	29,344	15,844	54.0	57.0
1953	31,673	16,960	53.5	57.9
1954	33,982	18,308	53.9	56.7
1955	36,852	19,345	52.5	57.6
1956 (Est.)	40,216	21,125	52.5	—

* Including Participating Companies' Shares.

[fol. 2179] Exhibit D

Summary of Average Authorized Monthly Salaries Since 1946

Per Report of Operations

Year	No. Employees	Monthly Salaries	Av. Salary Per Mo.	Annual % Increase	Cumulative Increase
12/31/46	4,478 *	$ 787,599	$175.88	———	———
47	4,152	783,371	188.67	7.3	7.3
48	4,217	875,654	207.65	10.1	18.1
49	4,171	947,268	227.11	9.4	29.1
50	4,173	1,041,923	249.68	9.9	42.0
51	4,247	1,135,967	267.48	7.1	52.1
52	4,461	1,222,988	274.15	2.5	55.9
53	4,565	1,347,977	295.29	7.7	67.9
54	4,570	1,427,535	312.37	5.8	77.6
55	4,635	1,519,991	327.94	5.0	86.5
Av. Annual Inc.	———	———	———	———	———

* Reflects abnormal and temporary build-up of forces (principally plant) to handle backlog of business which had accumulated during World War II.

[fol. 2180] Exhibit E

Statement of Five Year Net Growth in Business Volume Expressed in Terms of Plant Units

Year	No. Units	Annual Increase	Cumulative Increase	% Annual Increase
1950	925,760	—	—	—
1951	949,469	23,709	23,709	2.6
1952	973,300	23,831	47,540	2.5
1953	999,000	25,700	73,240	2.6
1954	1,026,371	27,371	100,611	2.7
1955 (*)	1,052,532	26,161	126,772	2.5
Av. Annual Inc.	—	—	—	2.6
Five Year Inc.	—	—	—	13.7

(*) Exclusive of 11,411 C.S. and 578 L.A. units acquired from General Alarm on 9/1/55.

[fol. 2181]

Exhibit F

Ratio of Units to Employees by Departments—1950 to 1955, Inclusive

Year	Av. No. Units	Number of Employees: Oper.	Plant	Sales	Eng.	Ex. & Adm.	M. & M.	Total
1950	925,760	2,152	1,268	183	123	213	234	4,173
1951	949,469	2,144	1,259	206	118	226	294	4,247
1952	973,300	2,175	1,332	250	135	219	350	4,461
1953	999,000	2,236	1,388	272	137	234	298	4,565
1954	1,026,371	2,228	1,384	284	141	236	297	4,570
1955	1,052,532	2,202	1,440	304	140	228	302	4,616
Increase	126,772	50	172	121	17	15	68	443
% Increase	13.7	2.3	13.6	66.1	13.8	7.0	29.1	10.6
		Number of Units Per Employee						
1950		430	730	5,059	7,527	4,346	3,956	222
1951		443	754	4,609	8,046	4,201	3,229	224
1952		447	731	3,893	7,210	4,444	2,781	218
1953		447	720	3,673	7,292	4,269	3,352	219
1954		461	742	3,614	7,279	4,349	3,456	225
1955		478	731	3,462	7,518	4,616	3,485	228
Increase		48	1	1,597	9	270	471	6
% Increase		11.2	.1	31.6	.1	6.2	11.9	2.7

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Exhibit G

Summary of ANSC Rate Increases (%) Announced Since 1946

Date	NW&FA	BA	AFA	SS&WF	Total
3/31/47	20.4	20.0	19.9	20.1	20.0
3/12/48	7.7	8.3	8.9	8.2	8.2
12/29/50	10.0	10.0	——	10.0	9.2
2/ 1/53	10.3	11.5	——	.1	7.0
11/ 1/53	11.3	9.3	9.2	12.3	10.6
12/ 6/54	6.5	5.8	——	5.9	5.8
1/ 1/56	6.5	6.4	6.7	6.6	6.5
Cumulative Inc.	98.7	96.1	52.2	81.1	88.4
Av. Annual Inc.	7.3	7.1	4.5	6.3	6.7
Increases applicable to 1956 renewals	39.3	37.3	16.5	26.6	32.9

[fol. 2183]

Exhibit H

Rate Increases Applicable to Renewals During Twelve Years Ending 12/31/60
Percentages & Effective Dates of Increases

Contract Date	3/31/47	3/12/48/	12/29/50	2/1/53	11/1/53	12/6/54	1/1/56	Renewal Date	Applicable Increase
1944	20.0	8.2	—	—	—	—	—	1949	29.8
1945	20.0	8.2	—	—	—	—	—	1950	29.8
1946	20.0	8.2	9.2	—	—	—	—	1951	41.7
1947	—	8.2	9.2	—	—	—	—	1952	18.2
1948	—	—	9.2	7.0	—	—	—	1953	16.8
1949	—	—	9.2	7.0	10.6	—	—	1954	29.2
1950	—	—	9.2	7.0	10.6	5.5	—	1955	36.3
1951	—	—	—	7.0	10.6	5.5	6.5	1956	32.9
1952	—	—	—	7.0	10.6	5.5	6.5	1957	32.9
1953	—	—	—	—	10.6	5.5	6.5	1958	24.3
1954	—	—	—	—	—	5.5	6.5	1959	12.4
1955	—	—	—	—	—	—	6.5	1960	6.5

See Exhibit G for determination of rate increase percentages.

[fol. 2184]

Exhibit I

Effect of Rate Increases on Renewals for Six Years Ended 12–31–55

Year	Old ANSC Renewed			Increase Secured	% Increase			Amount of Variance
	At Incr.	Same Rate	Total		Secured	Applicable*	Variance	
1950	$ 2,060	$ 788	$ 2,848	$ 559	19.6	29.8	10.2	$ 290
1951	2,130	740	2,870	638	22.2	41.7	19.5	560
1952	3,293	937	4,230	862	20.4	18.2	2.2	93
1953	3,348	1,083	4,431	798	18.0	16.8	1.2	53
1954	3,927	1,163	5,090	900	17.7	29.2	11.5	585
1955	3,989	1,152	5,141	1,009	19.6	36.3	16.7	858
Totals	$18,747	$5,863	$24,610	$4,766	19.4	28.1	8.7	$2,147
%	76.2	23.8	100.	—	—	—	—	—
% Deficient	—	—	—	—	—	—	31.	—

* See Exhibit H.

[fol. 2185]

Exhibit I-1

Effect of Rate Increases on Renewals for Six Years Ended 12/31/55

Year	Renewed At Incr.	Increase Secured	% Increase	Applicable Increase (*)	Variance	Amount of Variance
1950	$ 2,060	$ 559	27.1	29.8	2.7	$ 56
1951	2,130	638	30.0	41.7	11.7	249
1952	3,293	862	26.2	18.2	8.0	263
1953	3,348	798	23.8	16.8	7.0	234
1954	3,927	900	22.9	29.2	6.3	247
1955	3,989	1,009	25.3	36.3	11.0	439
Totals	$18,747	$4,766	25.4	28.1	2.7	$494
% Deficient	—	—	—	—	9.6	—

(*) See Exhibit H.

[fol. 2186]

Exhibit J

Statement of Effects of Rate Increases on Accrued Annual Service Charges

Year	Service	Av. No. Units 1947	Actual ANSC 1947	Av. ANSC Per Unit 1947	Av. No. Units 1948	Col. 4 × Col. 3	Actual ANSC 1948	Col. 6 Minus Col. 5	Col. 7 ÷ Col. 5
—	MW & FA	140	$ 3,696	$26.34	141	$ 3,725	$ 3,951	$226	6.1
—	BA	438	6,810	15.55	480	7,462	7,789	327	4.3
—	AFA	15	936	61.00	17	1,027	1,061	34	3.3
—	SS & WF	125	2,447	19.63	135	2,650	2,900	250	9.4
1948	Totals	718	$13,889	$ —	773	$14,864	$15,701	$837	5.6
1949	"	The above calculations were repeated for these years with the following results:							4.9
1950	"								4.6
1951	"								4.5
1952	"								5.0
1953	"								4.6
1954	"								5.0
1955	"								5.1
—	Average	—	—	—	—	$167,216	—	$8,208	4.9

[fol. 2187]

Exhibit K

Analysis of Sources of Increased ANSC for Five Year Period Ending 12/31/55

		1951	1952	1953	1954	1955	Average
% Net Increase in Business in Terms of Units	(1)	2.6	2.5	2.6	2.7	2.5	2.6
% ANSC increase due to rate Increases	(2)	4.5	5.0	4.6	5.0	5.1	4.9
% Total ANSC Increase—per above		7.1	7.5	7.2	7.7	7.6	7.5
% Total ANSC Increase—Actual	(3)	8.2	8.5	7.9	8.3	8.7	8.3
— Difference		1.1	1.0	.7	4.6	1.1	.8

(1) See Exhibit E.
(2) See Exhibit J.
(3) See Exhibit A (Work papers).

[fol. 2188] Exhibit L

ANSC Rate Increase Projection Through 1960 Predicated Upon Past Practices

Year	Increases Applicable To New Business	Cumulative Increases Applicable To Renewals	Increased Revenue Resulting From Rate Increases
1947	20.0	20.0	—
1948	8.2	29.8	5.6
1949	—	29.8	4.9
1950	—	29.8	4.6
1951	9.2	41.7	4.5
1952	—	18.2	5.0
1953	7.0	16.8	4.6
1954	10.6	29.2	5.0
1955	5.5	36.3	5.1
1956	6.5	32.9	4.9*
1957	6.7*	41.8	4.9
1958	6.7	41.5	4.9
1959	6.7	36.5	4.9
1960	6.7	38.0	4.9
See Exhibits	G	H	J

* Average through 1956.

[fol. 2189]

Exhibit M

Summary of C.S. Cities Grouped in Declining Order of Earnings Ratios Per 1955 Forms 396

Earnings Ratios	No. Cities	Revenue	Expenses	Earnings	Ratio	Earnings Variation From Av.
30.1 & over	2	$ 1,264	$ 861	$ 403	31.9	$186
25.1–30.	8	2,116	1,565	551	26.0	186
20.1–25.	16	9,769	7,553	2,216	22.7	537
15.1–20.	20	11,343	9,310	2,033	17.9	79
10.1–15.	15	5,555	4,789	766	13.8	189
5.1–10.	14	2,940	2,703	237	8.1	268
0.1–5.	16	1,447	1,414	33	2.3	216
0.0 & under	19	1,241	1,349	108	8.7	315
Total	110	$35,675	$29,544	$6,131	17.2	$ —
BEPA	—	117	72	45	38.6	25
Reliance	—	163	147	16	9.9	12
Outright Sales	—	422	234	188	44.5	115
Grand Total	110	$36,377	$29,997	$6,380	17.5	$128

[fol. 2190] Exhibit N

Costs Peculiar to ADT Operations to Which Competitors Are Not Subjected

Payments to Grinnell		$1,432
Payments to AFP		900
Payments to AFA	(1)	400
Research & Experimental Exp.		1,079
Pensions & Death Benefits		200
Excess Depreciation	(2)	1,000
Deficiency in Earnings	(3)	143
Total		$5,154
% Excess Imposed on M.B.R.		21.1

(1) Net after allowance for services rendered.

(2) Assumes that competitors' installation costs are approximately 25% less than ours.

(3) Deficits remaining at substandard offices after extraction of previously listed extraneous expenses.

[fol. 2191] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 97

AUTOMATIC FIRE ALARM COMPANY
A Central Office Signal Service On Automatic Sprinkler & Fire Alarm Systems
120 West 42nd Street, New York 36, N. Y.
BRyant 9-5000

October 5, 1956.

Davis, Dorland & Co.
99 Church Street
New York 7, N. Y.

Attention: Mr. J. J. Gribben

Re: Whitehall Cabinets, Inc. Rr. St. 21 Ryder Place S/S Fast Rockaway, New York

Dear Mr. Gribben:

Thank you for your inquiry of October 1st regarding an estimate for installing Central Station Valve Alarm Service in the wet pipe sprinkler system proposed for the subject property.

Since this building is located in Nassau County we have taken the liberty of referring your request to our associated company, A. D. T., Long Island City, with the request that they give you the desired information promptly.

With kindest personal regards.

Yours very truly, Automatic Fire Alarm Company,
J. J. Heavey, Sales Manager.

JJH:lb

c.c. Jack Groh

[fol. 2192] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 98

AMERICAN DISTRICT TELEGRAPH COMPANY
ELECTRIC PROTECTION SERVICES
Executive Offices, 155 Sixth Avenue, New York 13, N. Y.
ALgonquin 5-0200

June 10, 1948.

Recd. Jun. 12, 1948.

Mr. T. P. Drew, President,
Automatic Fire Alarm Company,
416 Broadway, New York 13, N.Y.

Solicitation of Industrial Process Service in Conjunction with Sales of S.S. & W.F. Service

Dear Mr. Drew:

This is in confirmation of our discussion in this connection on April 29, 1948.

I understand that occasionally, in conjunction with the sale of sprinkler supervisory or waterflow service, the insurance underwriters having jurisdiction require also the supervision of some element unrelated to the automatic sprinkler system, such as providing "room temperature supervision," "oil burner supervision," "supervision of a sump pump," or some other industrial process.

The Automatic Fire Alarm Company recognizes that it may not, under the terms of the 1907 agreement engage in any form of signal service except sprinkler supervisory and valve alarm service, automatic fire alarm and manual fire alarm service, but feels that any attempt to carry out the terms of the 1907 agreement to the extent of requiring your company to enter into an agreement with the subscriber for the furnishing of sprinkler supervisory and waterflow alarm service and of requiring ADT, separately to negotiate with the subscriber for supervision of elements unrelated to the automatic sprinkler system, places your company at a competitive disadvantage.

Accordingly, as a special concession, and without in any way detracting from any and all rights reserved to this company under agreement dated April 29, 1907, permission

is hereby conveyed to Automatic Fire Alarm Company to negotiate the sale of industrial process supervision, exclusively in conjunction with sales of sprinkler supervisory and waterflow alarm service, and at the sole cost and expense of your company, with the understanding that the agreement with the subscriber for such industrial process supervision will be in ADT's regular form for such service and will be made in the name of, and signed by, ADT, and that all moneys collected for the sale and installation of such industrial process supervision shall be retained in their entirety by ADT.

It is understood and agreed, that for any and all industrial process supervision units installed in conjunction with S.S. & W.F. service, the subscriber will be charged at ADT's then existing minimum basic rates for the industrial process supervision service. Thus, in the case of the processed rate schedule dated March 12, 1948, the subscriber would be charged $96. for the first unit of industrial process protec-
[fol. 2193] tion and $24. for each additional unit installed, plus an advance service charge based upon the estimated cost to install, as secured from ADT's plant department.

This permission extends also to the Boston Automatic Fire Alarm Company and the Consolidated Fire Alarm Company with respect to the territories in which they are engaged.

Yours very truly, J. A. MacDonald, Auditor.

MRH

[fol. 2194] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 104

CC: Mr. W. J. Robinson
Mr. H. R. Eakin
Mr. F. L. Strobel
Mrs. H. K. Schultz
File (2)

July 7, 1961.

Mr. Thomas P. Drew President
Automatic Fire Alarm Company
120 West 42nd Street
New York 36, New York

Albert H. Voight, Inc.
17th and Cambria Streets
Philadelphia, Pa.

Dear Mr. Drew:

There are enclosed the form 77, form 401 and two approved copies of the contract received July 7, 1961, in connection with the above location.

ADT elects not to make the installation or operate the contract in accordance with the provisions of Article 4 of the agreement between us dated February 18, 1954.

Very truly yours, E. A. Gaston, Assistant Secretary

tk

[fol. 2195] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 107

GRINNELL CORPORATION
Executive Offices Providence 1, R.I.
Providence 1, R. I.

May 15, 1959.
Recd. May 18, 1959.

Mr. Thomas P. Drew, President
Automatic Fire Alarm Company
120 West 42nd Street
New York 36, New York

Dear Tom:

I refer to Article II(E) of the sale agreement of February 18, 1954 (Exhibit B) between Grinnell, A.D.T., The Three Companies and your Company.

No notification having been given by either Grinnell to A.D.T. and A.F.A. or by A.D.T. and The Three Companies and A.F.A. to Grinnell to the contrary, the obligations of the parties are now adjustable as of February 18, 1959 on the basis that our obligation to maintain actuating devices and to deliver replacement devices under Article II(B) has now terminated as of February 18, 1959 and payments thereafter due us are subject to reduction.

I enclose copy of a letter from Mr. Rison to me of April 3, 1959 with figures showing an indicated reduction of our percentage from 17.5% to 17.2%.

Will you kindly review these figures and, if you agree, write an appropriate letter indicating your agreement to the reduced percentage of 17.2% effective from and after February 18, 1959.

Very truly yours, Roger T. Clapp, Secretary.

RTC:W

[fol. 2196] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 111

Agreement Dated December 24, 1953 between American District Telegraph Company (N.J.) A.D.T. Controlled Companies (The Three Companies) Automatic Fire Alarm Company and Grinnell Corporation

[fol. 2197] December 24, 1953.

Grinnell Corporation
Providence
Rhode Island

Dear Sirs:

This will confirm the agreement between your company ("Grinnell"), the undersigned American District Telegraph Company ("ADT") ADT Controlled Companies ("The Three Companies") and Automatic Fire Alarm Company ("AFA") as follows:

1. Lease or Sale by Grinnell of Actuating Devices.

ADT, AFA and Grinnell agree that they will, and ADT agrees that it will cause The Three Companies to, and The Three Companies agree that they will, enter into an agreement either substantially in the form of Exhibit A hereto or substantially in the form of Exhibit B hereto, the agreement to be entered into to be determined as follows:

(a) Grinnell agrees that it will apply to the Treasury Department for a ruling as to the tax treatment by it, in the event an agreement should be entered into substantially in the form of Exhibit B hereto, of the payments to be made to it pursuant to Article II of such agreement; and ADT agrees that it and/or The Three Companies will apply to the Treasury Department for a ruling as to the deduction, by The Three Companies, in the event such agreement should be entered into, of or on account of the payments to be made to Grinnell pursuant to Article II of such agreement.

(b) If, within the time specified in paragraph (c) below,

Grinnell and ADT shall each have obtained a ruling satisfactory to it on the application to be made by it as afore- [fol. 2198] said, and if AFA shall agree, then the agreement to be entered into pursuant to the foregoing covenant shall be substantially in the form of Exhibit B hereto.

(c) If such satisfactory rulings shall not have been obtained prior to July 1, 1954, or prior to such later date as may be mutually agreed upon by Grinnell, ADT and AFA, then the agreement to be entered into pursuant to the foregoing covenant shall be substantially in the form of Exhibit A hereto.

Provided, however, that either ADT or Grinnell may at any time either before or after an application for a ruling shall have been made by it as aforesaid notify the other that it no longer desires to obtain a ruling, and in the event either so notifies the other then the agreement entered into pursuant to the foregoing covenant shall be substantially in the form of Exhibit A hereto.

Grinnell agrees that, upon the termination of the 3-party Agreement on February 18, 1954, it shall have no right or interest in any of the Service Contracts then or thereafter in force and its rights against ADT and The Three Companies and against AFA with reference to Service Contracts (i.e., contracts for Supervisory Service in the Cities of Boston and Charlestown, Mass., Greater New York, N. Y. and Philadelphia, Pa.) shall be solely as provided herein and in the agreement entered into pursuant to the foregoing covenant.

If your company will confirm this letter by signing and returning the enclosed copy, it shall become an agreement [fol. 2199] between your company and the undersigned.

Very truly yours, American District Telegraph Company, By E. Gaston, President. American District Telegraph Company (Mass.), A.D.T. Company, Inc. (N.Y.), The American District Telegraph Company of Pa., By E. Gaston, President of each of said companies. Automatic Fire Alarm Company, By Thomas P. Drew, President.

Confirmed:

Grinnell Corporation, By J. D. Fleming, President.

[fol. 2200] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 112

AUTOMATIC FIRE ALARM COMPANY

December 21, 1954.

To: Mr. F. J. Lehner
Mr. L. W. Thomason
Mr. F. Durward Chase
Mr. A. G. Seddon

From: Mr. Thomas P. Drew, President, New York Office.

Attached hereto please find a copy of a letter between A.D.T., Grinnell and ourselves which will explain to you the treatment of devices since February 18, 1954.

You will receive further instructions from Mr. Seddon if any instructions need to be issued in connection with this communication.

Thomas P. Drew, President

TPD:MAT

Enc.

[fol. 2201] December 15, 1954.

Mr. Roger T. Clapp
Secretary & Counsel
Grinnell Corporation
260 West Exchange Street
Providence 1, Rhode Island

Dear Mr. Clapp:

On December 24, 1953, Grinnell Corporation, American District Telegraph Company, Automatic Fire Alarm Company and three A.D.T. Companies entered into an agreement by which the Automatic Fire Alarm Company and the A.D.T. Companies involved agreed either to lease or buy SS & WF actuating devices, the property of Grinnell Corporation and installed in the premises of subscribers to SS & WF central station service as at February 18, 1954, dependent upon the form of ruling as to the tax treatment eventually secured from the Treasury Department.

The ruling not having been secured at February 18, 1954, it was understood and agreed between all parties that the following arrangements would tentatively apply, subject to appropriate adjustments following receipt of the ruling:

(1) That, tentatively, Grinnell would undertake to remove all SS & WF actuating devices from the premises of subscribers following termination of the service contract.

(2) That all SS & WF actuating devices removed from subscribers' premises, after February 18, 1954, whether as the result of service termination or in the normal process of device replacement, would be shipped to the Grinnell Corporation, at Providence, for eventual disposition.

(3) That Grinnell Corporation would be free to employ its own judgment as to the appropriate junking of any such SS & WF actuating devices which appeared, upon receipt by Grinnell, to be obviously of no further usefulness to the business, and fit only for scrap.

As you know, from my letter to Mr. Fleming dated December 9, 1954, and based upon satisfactory tax ruling [fol. 2202] received from the Treasury Department, ADT and the Automatic Fire Alarm Company desire to enter into an agreement of sale, in the form of Exhibit B which accompanied the agreement between us dated December 24, 1953. The agreement of sale would of course be as of February 18, 1954. In distinction to the arrangements tentatively agreed upon, as above, the sale agreement differs in the following respects:

1. Under Article IV(B) of Exhibit B, the obligation to remove SS & WF actuating devices upon discontinuance of supervisory service under any service contract falls upon the Automatic Fire Alarm Company or the particular ADT controlled company involved.

2. Under Article IV(A) and (B) of Exhibit B, all SS & WF actuating devices, following removal from a subscribers' premises whether as the result of discontinuance of supervisory service or following device replacement, are deemed fully paid for and become

the property of Automatic Fire Alarm Company or the particular ADT controlled company involved, free of any claim of Grinnell, whatsoever.

Subject to your acquiescence, the following steps are proposed in necessary adjustment of the costs and obligations involved in the handling of SS & WF actuating devices, as in effect between us since February 18, 1954, in order to accord with the above referred to provisions of contract appearing in the form of Exhibit B to agreement dated December 24, 1953:

1. That, as the case may be, Grinnell shall submit to Automatic Fire Alarm Company or to American District Telegraph Company, for and on behalf of the particular ADT controlled company involved, its invoice covering all costs involved in the removal, from subscribers' premises of SS & WF actuating devices, upon the discontinuance of supervisory service under any service contract occurring subsequently to February 18, 1954.
2. That Automatic Fire Alarm Company or the particular ADT controlled company, as the case may be, will remove SS & WF actuating devices, or cause them to be removed, in any situation in which the Grinnell Corporation has not done so with respect of any service contract terminated subsequently to February 18, 1954.
3. That Grinnell shall return to Automatic Fire Alarm Company or, as the case may be, to American District Telegraph Company, at 155 Sixth Avenue, New York, N.Y., for and on behalf of the particular ADT controlled company involved, freight collect, all SS & WF actuating devices received at Providence, Rhode Island, pursuant to the tentative arrangements, provided such devices having been deemed by [fols. 2203-2204] the Grinnell Corporation to be of further usefulness to the business are on hand in the warehouse of the Grinnell Corporation, in fit condition for such return.
4. That with respect of any SS & WF actuating device returned to the Grinnell Corporation at Providence, Rhode Island, pursuant to the tentative arrange-

ments, deemed by Grinnell Corporation to be of no further usefulness to the business and scrapped as junk, Grinnell shall, as the case may be, reimburse Automatic Fire Alarm Company or American District Telegraph Company, for and on behalf of the particular ADT controlled company involved, for the scrap value of such actuating devices, measured by their approximate overall weight, times the currently prevailing market price for scrap iron.

If your company will confirm this letter, by signing and returning the enclosed copies to Automatic Fire Alarm Company and American District Telegraph Company, it shall become an agreement between your company and the undersigned.

Yours very truly, American District Telegraph Company, By /s/ E. Gaston, President. Automatic Fire Alarm Company, By /s/ Thomas P. Drew, President. American District Telegraph Company (Mass.), A.D.T. Company, Inc. (New York), The American District Telegraph Company of Pennsylvania, By /s/ E. Gaston, President of each of said companies.

Confirmed:

Grinnell Corporation, By /s/ J. D. Fleming.

[fol. 2205] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT NO. 128

This Agreement made and entered into this 29th day of March 1954 by and between the American District Telegraph Company, a corporation duly organized and existing under the laws of the State of New Jersey, hereinafter called the District Company, party of the first part, Grinnell Corporation, a corporation duly organized and existing under the laws of the State of Delaware, hereinafter called Grinnell, party of the second part and the Rhode Island

Electric Protective Company, a corporation duly organized and existing under the laws of the State of Rhode Island, hereinafter called the Rhode Island Company, party of the third part.

Witnesseth

Whereas the District Company controls certain patents for Central Station Sprinkler Supervisory and Waterflow Alarm devices and is willing to authorize the Rhode Island Company to use such devices in the State of Rhode Island, and

Whereas the Rhode Island Company supplies Central Station Sprinkler Supervisory and Waterflow Alarm Service in said State of Rhode Island and is desirous of employing said devices, and

Whereas Grinnell possesses facilities for the manufacture and installation of certain actuating devices connected with Sprinkler Supervisory Systems and is willing to extend these facilities to the Rhode Island Company in the State of Rhode Island, now,

Therefore, in consideration of One Dollar ($1.00) lawful money of the United States of America each to the other in hand paid and in consideration of the promises and mutual covenants and conditions hereof the parties hereto have agreed together as follows:

First: The District Company grants to the Rhode Island Company the exclusive right to use the Sprinkler Supervisory and Waterflow Alarm devices covered by this Agreement in the State of Rhode Island, and the Rhode Island Company agrees that, during the full term of this Agreement, it will not sell, nor in any way aid the sale of any [fol. 2206] other Sprinkler Supervisory or Waterflow Alarm devices nor use or permit the use of its Central Station Service for any other Sprinkler Supervisory or Waterflow Alarm devices unless required so to do by laws, ordinances or public regulating bodies.

Second: That Grinnell shall manufacture and install or cause to be manufactured and installed complete, in a thorough and workmanlike manner, and in accordance with the requirements of the insurance interests having jurisdiction and at its own cost and expense, and without any

cost, expense or charges of any kind or nature to the other parties to this Agreement, all of the following actuating Sprinkler Supervisory and Waterflow Alarm devices and attachments, to wit:

Waterflow Signaling Devices
Water level Signaling Devices
Gate Valve Signaling Devices
Temperature Signaling Devices
Pressure Signaling Devices

and such other actuating devices and testing apparatus as may be from time to time demanded under said insurance requirements, and as may be necessary to be attached to the sprinkler equipment so that the same shall be ready for wiring and attachment of the transmitting devices under all contracts for Sprinkler Supervisory and Waterflow Alarm Services; such devices to remain the property of Grinnell.

Third: That the District Company shall manufacture and furnish, or cause to be manufactured and furnished, through itself or subsidiary companies, but at its own cost and expense, and without any cost, expense or charges of any kind or nature, to the other parties to this Agreement, all transmitters and manual fire alarm boxes required to transmit signals of the Sprinkler Supervisory and Waterflow Alarm Service to the Central Station of the Rhode Island Company, such devices to be in accordance with the requirements of the insurance interests having jurisdiction; such devices to remain the property of the District Company.

Fourth: That the Rhode Island Company at its sole ex- [fol. 2207] pense, shall install the transmitting devices and shall properly connect the same by circuits to the attachments installed by Grinnell and to the receiving instruments in the Central Station or Stations of the Rhode Island Company, and shall furnish the necessary Central Station equipment, circuits and conduits therefor, and shall provide Central Station Service, and shall operate and repair and maintain the same in good condition all as may be from time to time required by the insurance interests having jurisdiction.

Fifth: That this collaboration of rights, obligations and

responsibilities pertains solely to full Sprinkler Supervisory and Waterflow Service rendered in combination. It does not apply to the rendition by the Rhode Island Company of Waterflow Only Service whether in conjunction with equipment not furnished by either the District Company or Grinnell or not and whether or not approved by the Underwriters' Laboratories, and whether in connection with contracts existing at the date of this Agreement or those thereafter secured. The District Company and Grinnell hereby agree to sell to the Rhode Island Company, at their customary scale of charges for sales of equipment, such actuating devices and transmitting devices as may be required in the performance of such Waterflow Only Service by the Rhode Island Company.

Sixth: That any repairs made necessary because of defective material, poor workmanship or improper assembling of the devices, furnished or done by Grinnell or the District Company shall be repaired by them respectively, at their own cost and expense. Should any of the devices or equipment furnished by any of the parties hereto, as herein provided, be damaged or destroyed or become unserviceable or defective by collapsing or falling buildings, or by fire or earthquake or other natural forces, then in such case the said devices and equipment shall be restored by the parties hereto at their own cost and expense respectively, in the same manner and to the same extent as they provided the original equipment; it being understood, however, that if the Rhode Island Company shall collect from its subscribers any part of the cost of said damage or destruction, such collections shall be divided among the parties in proportion to their respective costs in restoring the equipment.

[fol. 2208] Seventh: Grinnell and District Company, respectively, agree to sell to the Rhode Island Company any additional Sprinkler Supervisory and Waterflow Alarm devices from time to time needed by it in maintenance and repair, at manufacturing or purchase cost plus 15% handling charge and plus freight charges, and the said devices when so purchased shall become the property of the Rhode Island Company.

Eighth: The Rhode Island Company shall collect all collectible rentals and charges from its subscribers and

except as hereinafter provided, shall on the tenth day of each calendar month pay over to the District Company and to Grinnell to each one of them one-quarter of all rentals or charges collected or received in the preceding calendar month, being one-half in all, for services where the installations shall have been made under the terms of and by the parties to this Agreement without any deductions therefrom of any kind or nature for commissions, expenses or otherwise; the remaining one-half thereof to be retained by the Rhode Island Company. It is understood and agreed, however, that the Rhode Island Company may do the following:

a. Retain for itself out of the rentals collected for the first year's service only, under new contracts hereafter made, the one-quarter share of the District Company.
b. Collect from its subscribers and retain for itself the actual cost of making changes in existing equipment necessitated by changes in the building or the sprinkler system not involving extensions of service and not requiring any labor, materials or devices to be supplied by the District Company or Grinnell.
c. Include in the annual rental rate under new contracts hereafter made or renewals of existing contracts hereafter made, charges for reimbursement for wire rental costs in excess of 10% of the normal rental rate for service and retain for itself the collections for such excess wire rental charges. We will continue to use our own method.

It is understood and agreed that the applicable provisions of this Agreement shall apply also to contracts with Subscribers heretofore made under agreement between the District Company, Grinnell and the Rhode Island Company, dated April 27, 1939.

Ninth: If it becomes necessary in any case to install excess pressure pumps, new alarm valves or otherwise change the sprinkler equipment to adapt it to receive the Sprinkler Supervisory or Waterflow Alarm devices, the [fol. 2209] Rhode Island Company shall arrange with subscribers to effect such changes without cost or obligation on the part of the District Company and Grinnell.

Tenth: The Rhode Island Company shall, at its own expense, solicit all service contracts on forms approved by the District Company and Grinnell, at rates not less than rates established by the District Company for Sprinkler Supervisory and Waterflow Alarm Service in its own operations.

Eleventh: That originals or certified copies thereof, of all contracts for installation, rental and service shall be filed with the District Company and with Grinnell; also both of said Companies shall be given immediate notice of all discontinuances of service.

Twelfth: That separate books of account shall state in detail all of the receipts relating to the said business, to which books of account the District Company and Grinnell shall, at all times have access.

Thirteenth: It is mutually understood and agreed between the parties hereto that during the term of this Agreement each party hereto shall lend to the other reasonable aid looking to the upbuilding and growth of the respective interests of the parties.

Fourteenth: That the covenants and conditions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto respectively, but the same may not be assigned by any of the parties without the consent of the others in writing.

Fifteenth: Upon the termination of any service or contract with a subscriber and in the event of the failure of the Rhode Island Company to either renew the service contract with the same or another tenant of the property, or in the event of the termination of this Agreement by expiry or otherwise, the Rhode Island Company agrees to remove at its sole expense the devices furnished by the District Company and return the same within sixty days in good order, ordinary wear and tear excepted, to the Dis-[fols. 2210-2211] trict Company's supply station in New York, N. Y., F.O.B. Providence, and further agrees to permit the removal of the devices installed and owned by Grinnell, such devices to be removed by that Company.

Sixteenth: This Agreement shall take effect upon the date hereof and shall continue in force for a period of one year, and thereafter from year to year until terminated by

any party giving to the others 90 days' written notice prior to the expiration of the then current term.

Seventeenth: This Agreement on the part of the District Company and the Grinnell is not in abrogation of the contracts now existing between them but is supplemental thereto and the same contracts remain in full force and effect.

In Witness Whereof, the parties hereto have hereunto set their hands and seals, the day and year first above written.

American District Telegraph Company, By E. Gaston, President.

Rhode Island Electric Protective Company, By Henry G. Clark, President.

Grinnell Corporation, By J. D. Fleming, President, [Seal.]

Attest:

G. J. Simon, Asst. Secretary, [Seal.]

Attest:

Alfred B. Lemon, Secretary

Attest:

A. J. Clapp, Secretary.

[fol. 2212] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 129

This Agreement made and entered into this 29th day of March 1954 by and between the American District Telegraph Company, a corporation duly organized and existing under the laws of the State of New Jersey, hereinafter called the District Company, a party of the first part, and the Rhode Island Electric Protective Company, a corporation duly organized and existing under the laws of the State of Rhode Island, hereinafter called the Rhode Island Company, party of the second part.

Witnesseth

Whereas the District Company controls certain patents for Central Station Automatic Fire Alarm, Burglar Alarm and Watchman's Reporting and Manual Fire Alarm devices (hereinafter called signaling devices) and is willing to authorize the Rhode Island Company to use such devices in the State of Rhode Island, and,

Whereas the Rhode Island Company is operating a Central Station Service in said State of Rhode Island and is desirous of employing said devices, now

Therefore, in consideration of One Dollar ($1.00) lawful money of the United States of America each to the other in hand paid and in consideration of the promises and mutual convenants and conditions hereof the parties hereto have agreed together as follows:

First: The District Company grants to the Rhode Island Company the exclusive right to use the signaling devices covered by this Agreement in the State of Rhode Island, and the Rhode Island Company agrees that, during the full term of this Agreement, it will not sell, nor in any way aid the sale of any similar signaling devices nor use or permit the use of its Central Station Service for any other similar signaling devices unless required so to do by laws, ordinance or public regulating bodies, it being understood and agreed, however, that the said Rhode Island Company may continue to operate, for subscribers existing on the date of this Agreement, equipment not furnished by the District Company or not approved by Underwriters' Laboratories and may also operate such equipment for new subscribers.

We may continue to use our "Couch" boxes as heretofore for both old and new subscribers.

[fol. 2213] Second: That the District Company shall manufacture and furnish, or cause to be manufactured and furnished, through itself or subsidiary companies, but at its own cost and expense, and without any cost, expense or charges of any kind or nature to the Rhode Island Company, all of the signaling devices as listed on Schedule A attached hereto and made a part hereof; such devices to remain the property of the District Company.

Third: That the Rhode Island Company at its sole expense, shall install the signaling devices and shall properly connect the same by circuits to the receiving instruments in the Central Station or Stations of the Rhode Island Company, and shall furnish the necessary Central Station equipment, circuits and conduits therefor, and shall provide Central Station Service, and shall operate and repair and maintain the same in good condition all as may be from time to time required by the insurance interests having jurisdiction.

Fourth: That any repairs made necessary because of defective material, poor workmanship or improper assembling of the devices, furnished by the District Company shall be repaired by it, at its own cost and expense. Should any of the devices or equipment furnished by the parties hereto, as herein provided, be damaged or destroyed or become unserviceable or defective by collapsing or falling buildings, or by fire or earthquake or other natural forces, then, in such case, the said devices and equipment shall be restored by the parties hereto at their own cost and expense, respectively, in the same manner and to the same extent as they provided the original equipment; it being understood, however, that if the Rhode Island Company shall collect from its subscribers any part of the cost of said damage or destruction, such collections shall be divided between the parties in proportion to their respective costs in restoring the equipment.

Fifth: The District Company agrees to sell to the Rhode Island Company any additional signaling devices from time to time needed by it in maintenance and repair, at [fol. 2214] manufacturing or purchase cost plus 15% handling charge and plus freight charges, and the said devices when so purchased shall become the property of the Rhode Island Company.

Sixth: The Rhode Island Company shall collect all collectible rentals and charges from its subscribers and except as hereinafter provided, shall, on the tenth day of each calendar month, pay over to the District Company one-quarter of all the rentals or charges collected or received in the preceding calendar month for services where the installations shall have been made under the terms of and by the parties to this Agreement without

any deductions therefrom of any kind or nature for commissions, expenses, or likewise; the remaining three-quarters thereof to be retained by the Rhode Island Company. It is understood and agreed, however, that the Rhode Island Company may do the following:

a. Retain for itself 100% of the rentals collected for the first year's service only, under new contracts hereafter made.
b. Collect from its subscribers and retain for itself the actual cost of making changes in existing equipment necessitated by changes in the building or the protection system not involving extensions of service and not requiring any labor, materials or devices to be supplied by the District Company.
c. Include in the annual rental rate under new contracts hereafter made or renewals of existing contracts hereafter made, charges for reimbursement for wire rental costs in excess of 10% of the normal rental rate for service and retain for itself the collections for such excess wire rental charges.

It was agreed that R. I. E. P. would continue to use its own method of computing excess L.D.

Seventh: It is understood and agreed that the applicable provisions of this agreement shall apply also to installations of signaling devices heretofore made under specific individual arrangements between the District Company and the Rhode Island Company.

Eighth: The Rhode Island Company shall, at its own expense, solicit all service contracts on forms approved by the District Company at rates not less than rates established by the District Company for such services in its own operations.

[fol. 2215] Ninth: That originals or certified copies thereof, of all contracts for installation, rental and service shall be filed with the District Company; also immediate notice of all discontinuances of service shall be given to the District Company.

Tenth: That separate books of account of the business of the protection service installed under the terms of this Agreement shall be kept by the Rhode Island Company, which books of account shall state in detail all of the re-

ceipts relating to the said business, to which books of account the District Company shall, at all times, have access.

Eleventh: It is mutually understood and agreed between the parties hereto that during the term of this Agreement each party hereto shall lend to the other reasonable aid looking to the upbuilding and growth of the respective interests of the parties.

Twelfth: That the covenants and conditions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto respectively, but the same may not be assigned by either party without the consent of the other in writing.

Thirteenth: Upon the termination of any service or contract with a subscriber and in the event of the failure of the Rhode Island Company to either renew the service contract with the same or another tenant of the property, or in the event of the termination of this Agreement by expiry or otherwise, the Rhode Island Company agrees to remove at its sole expense the devices furnished by the District Company and return the same within sixty days in good order, ordinary wear and tear excepted, to the District Company's supply station in New York, N.Y. F.O.B. Providence.

Fourteenth: This Agreement shall take effect upon the date hereof and shall continue in force for a period of one year, and thereafter from year to year until terminated by any party giving to the other 90 days' written notice [fol. 2216] prior to the expiration of the then current term.

In Witness Whereof, the parties hereto have hereunto set their hands and seals, the day and year first above written.

American District Telegraph Company, By E. Gaston, President.

Attest:

John Hannon, Secretary, [Seal.]

Rhode Island Electric Protective Company, By Henry G. Clark, President.

Attest:

Alfred B. Lemon, Secretary.

[fol. 2217] Schedule A

Signaling Devices

Automatic Fire Alarm

- Tubing
- Tubing clips
- Tubing staples
- Tubing connectors
- Corner turns and nails
- Aero porcelain knobs
- Rosettes
- Thermostats

Standard detector units

Manual type detector units

Gong boxes

Protection boxes

Annunciators

Transmitters

Transmitter cabinets

Gongs

Burglar Alarm

Phonetalarm Burglar Alarm Devices

- Detectors
- Sound test units
- Signal sets
- Power sets
- Control sets
- Resistors
- Shielded microphone cable

Alertronic

Supersonic

Photoelectric Burglar Alarm Devices

- Control units
- Power units
- Light source units
- Photocell receiver units
- Mirrors
- Mounting brackets

Telapproach Burglar Alarm Devices

- Insulating blocks
- Hood contacts
- Control units
- Junction boxes
- Antenna assemblies
- Resistors and special cords

Watchmans Reporting and Manual Fire Alarm

- Transmitters
- Preliminary Stations
- Registers
- Manual Fire Alarm Boxes
- Outside Protection Boxes

[fol. 2218] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 130

NEW YORK

December 10, 1953.

Mr. John Hannon
Secretary

Rhode Island Electric Protective Company

I am returning binder containing original of agreement dated April 27, 1939 between ADT, Grinnell Corporation and the Rhode Island Electric Protective Company, and all papers in that connection.

Mr. Clark of the Rhode Island Company was in to see Mr. Gaston and myself, on December 9, for the purpose of discussing the possibility of renewing the 1939 agreement which has expired its primary term and presently is running on a contained basis pretty much by mutual consent.

Both Grinnell and ADT have been thinking in terms of an extension of the existing agreement pretty much in its present form. In addition, ADT would like to execute an agreement with RIEP Company covering forms of service other than SS & WF in which we presently collaborate with that company though without written agreement. I would like you to undertake a proper draft of the two proposed forms of agreement. You will find an earlier draft of agreement covering services other than SS & WF in the attached binder which will serve as something of a pattern.

Mr. Clark would like to see his company derive a higher percentage participation from electronic services, but we will take an initial position that the higher rate charged for these services already contemplates higher participation for RIEP Company and full recompense for any additional maintenance service involved.

The present agreement covering SS & WF service limits the coverage to the City of Providence and certain environs enumerated. Mr. Clark has asked that the coverage be extended to cover the entire State of Rhode Island and

we have no objection to this change. Please arrange accordingly in your draft.

In the first article of the existing SS & WF agreement, the Rhode Island Company is given permission to operate valve alarm only service where the equipment is not furnished by either the District Company or General Fire (Grinnell) and not approved by the Underwriters' Laboratories. Mr. Clark would like to have the agreement contain [fol. 2219] permission for RIEP Company to buy 498 devices for installation in valve alarm only jobs on a non-participating basis. Since the devices would have to be purchased from Grinnell, the question is more one for that company than for ourselves but, in the first draft, and subject to Grinnell's acquiescence, your draft of agreement should cover the permission sought by Mr. Clark, in this respect.

I would make the term of both agreements to extend from the date of execution and for a period of one year thereafter subsequently automatically self-renewing for one year periods until receipt of due notice of desire to terminate given by any party to either of the others signatory of the agreement.

James MacDonald, Vice President.

MRH

[fol. 2220] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 131

Controlled Companies of
AMERICAN DISTRICT TELEGRAPH COMPANY
Executive Offices, 155 Sixth Ave.
New York 13, N.Y.

December 11, 1958.

A. E. Smith
Vice President

Mr. Henry G. Clark, President
Rhode Island Electric Protective Co.
111 Mathewson Street
Providence, R. I.

Dear Henry:

Attached is the latest edition of our price chart, together with copies of Commercial Circular No. 197, Supplement No. 16, explaining the necessity for certain changes in the computation of our rates. You will note that the schedule is in two sections, one covering annual service charges, and the other, advance service charges.

Since information of this nature is confidential, you will note that the schedules are numbered, and your number assignment is "48." This information is being forwarded to you pursuant to our recent conversation on this subject in this office.

With kind personal regards,

Sincerely, Earl, Vice President.

AES:AS

File.

[fol. 2221] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 132

February 5, 1963.

A. D. T. Company
155 Sixth Avenue
New York 13, New York

Attention: Mr. W. F. Halpin, Auditor

Dear Sirs:

Enclosed please find our check to your order for $6,627.00 which represents your share of the following services:

Hudson Cold Storage	SSS	1/12/63- 2/11/63	$ 7.96
Lawson Products	SSS	1/ 1/63-12/31/63	321.25
Gabriel Samdperil	SSS	12/ 1/62-12/31/62	4.69
Sears, Roebuck & Co.	Telap	1/ 1/63- 1/31/63	1.79
" " " "	Aero	" "	25.89
" " " "	SSS	" "	7.45
" " " "	Ind. Process	" "	5.50
" " Warehouse	SSS	" "	13.65
Trifari, Krussman & Fishel	SSS	1/13/63- 1/12/64	207.50
School House Candy	SSS	12/ 1/62-12/31/62	10.40
Peoples Savings Bank	Phonet	10/ 1/62-12/31/62	29.25
Cooley, Inc.	SSS	1/15/63- 1/14/64	247.50
Damar Wool Combing	SSS	1/ 1/63-12/31/63	357.50
Moore Fabrics, Inc.	SSS	Installation	236.25
John Carter Brown Library	Aero	1/ 1/63- 6/30/63	21.00
Hospital Service Corp.	SSS	1/ 1/63-12/31/63	56.25
Prov. Box & Lumber	SSS	1/ 8/63- 1/ 7/64	175.00
Grinnell Corp.	SSS	1/ 1/63-12/31/63	221.25
" "	SSS	" "	8.25
" "	SSS	5/ 1/63-12/31/63	9.16
" "	SSS	1/ 1/63-12/31/63	41.25
" "	SSS	" "	718.30
" "	SSS	" "	140.25
" "	SSS	" "	63.00
" "	SSS	" "	33.75
" "	Watchman	" "	208.13
" "	Watchman	" "	114.75
" "	SSS	" "	100.00
" "	SSS	" "	96.25
Narragansett Racing Ass'n.	Watchman	1/ 1/63-12/31/63	157.85
Licht, Ind.	SSS	12/ 1/62-12/31/62	47.50
Zayre Corp.	SSS	Installation	5.25
Grinnell Corp.	SSS	Installation	262.50
" "	SSS	12/13/62-12/31/62	4.97

[fol. 2222]

Brown & Sharpe Mfg. Co.	SSS	1/ 1/63–12/31/63	$ 2,012.50
" " " " "	Watchman	"	369.50
Kinney Co.	SSS	1/14/63– 1/13/64	118.75
McAlpine Refinery	Photoelectric	1/11/63– 1/10/64	47.50
Ind. Nat'l Bank	Phonet	1/ 1/63– 3/31/63	29.25
" " "	Phonet	" "	29.25
Outlet Co.	SSS	1/26/53– 1/25/64	60.00
			$ 6,627.00

We trust your records will agree.

Yours truly, Rhode Island Electric Protective Company, Henry G. Clark, President-Treasurer.

HGC:eef

Enclosure

[fol. 2223] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 133

January 19, 1961.

Grinnell Corp.
260 West Exchange Street
Providence, Rhode Island

Attention: Mr. C. B. Walker, Supt. Supervisory Service

Dear Sirs:

Enclosed please find our check to your order for $1,494.91 which represents your share of Sprinkler Supervisory Service at the following:

Rosbro Plastics	6/28/60- 9/27/60	$ 41.25
Colonial Laundries	9/17/60- 9/16/61	107.62
Nicholson File Co.	12/ 1/60- 5/31/61	87.50
Hudson Cold Storage	12/12/60- 1/11/61	6.96
Boston Store Realty	11/10/60-11/ 9/61	157.50
School House Candy	11/ 1/60-11/30/60	10.39
Leonard Valve Co.	12/12/60-12/11/62	112.00
Patton-MacGuyer	12/15/60-12/14/61	83.50
Sears, Roebuck & Co.	12/ 1/60-12/31/60	7.45
" " Warehouse	" "	13.64
C. I. Hayes, Inc.	12/ 7/60-12/ 6/61	165.00
Lippitt Worsted Mills	12/ 1/60-12/31/60	14.89
Shepard Co.	12/ 1/60-11/31/61	324.87
R. I. Hospital (Jane Brown)	11/15/60- 2/14/61	10.31
Prov. Inst. for Savings	12/ 1/60- 2/28/61	24.99
J. C. Campbell Paper Co.	11/ 8/60-11/ 7/61	197.50
Brown & Sharpe Mfg. Co.	Installation	205.50
" " " " "	(See letter enclosed)	(75.96)
		$1,494.91
		1,213.54

We trust your records will agree.

Yours truly, Rhode Island Electric Protective Company, Henry G. Clark, President-Treasurer.

HGC:eef

Enc.

[fol. 2224] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 139

September 14, 1956.

Mr. L. J. O'Brien
General Sales Manager

Competition—Washington District

It is the purpose of this letter to bring you up to date with regard to competitive developments in the Washington District during the last eight and one-half months.

In the City of Baltimore there has been no new developments of great interest except the one auxiliary connection to a Pre Detector System installed by the CO-Two Company at the warehouse of S. Schapiro and Sons. You have full reports on this particular subject. N.P.C. is continuing to build its business in the field of local alarms and has expanded this year its connections to a telephone answering service. Our information indicates there are at present about 60 such connections.

In Washington, D. C., Federal Engineering continues to be very active and a constant "thorn in our side." When they are in competition with us they quote rates about 50% below our minimum basic rates. In a few cases where we have been competing for prestige accounts, such as Woodward and Lothrop, Emerson Research Laboratories, Applied Physics Laboratories, Inc., etc., they have gone as low as 40% of our minimum basic rates. While they deny it, we know that on occasion they attempt to raid some of our better accounts. In recent months I have become better acquainted with Mr. Brosnan and he knows that we consider his company's price policies and raiding policies as being quite unwise. Admittedly the situation is somewhat out of hand here at present as regards price cutting, but I feel that we have made some progress within the past few weeks in the direction of proving to our competitor that nobody but the prospect can hope to gain from a continuation of this practice. It had definitely reached the point where we had to meet the issues squarely

on a few occasions in order to bring about a clear realization on the part of our competitor that we were not going to be satisfied to "play second fiddle" on every competitive negotiation.

[fol. 2225] In suburban Philadelphia, Wilmington, Camden and surrounding areas, the Owl Company is becoming more active in the sale of direct connected BA and is employing telephone answering service connections in Wilmington and several other localities where their central station circuits do not reach and where they have not been able to obtain connection privileges from municipal police departments. Also, I have been advised that they are now approved for fire alarm service in Philadelphia, but have no information as to their success in developing this phase of their business.

In Pittsburgh there was some rumor earlier this year about a local alarm company planning to establish a central station. There has been no definite confirmation of this, however.

In Richmond, Virginia, we have, as you know, from previous reports, been endeavoring to work through the City Manager toward the elimination of the BA and WF services offered by the city. Sales Representative Beckham and I have personally appealed to the City Manager and confirmed our appeal in writing. The City Manager has advised us that after consultation with the Director of Safety, it has been decided that the services offered by the city should continue. He further states that since the practice has been in effect for a number of years and only twenty connections have been established in all that time, that it should not have adversely affected our operations. While I do not propose to accept this as a final answer and will seek to reopen the question through some other approach at a later date, I am somewhat inclined to believe that we may have over-emphasized the seriousness of this particular competitive situation. In a city the size of Richmond we would not get particularly upset if a local alarm competitor had 300 units, about 50 or 75 of which could be considered as logical ADT prospects. Local alarm competition in Richmond is fairly light. The Southern Burglar Alarm Company is reported to have only about 100 accounts. The city

has 20 including auxiliary waterflow connections. I am leading to the point that competition in Richmond has not taken an unusually great bite out of the potential.

In the State of Virginia we are being plagued by the activities of Fire Marshal Elliott W. Jayne of the Williamsburg Fire Department. You will recall that he was instrumental in having Aero discontinued in the restored buildings in Williamsburg and Kidde Atmo systems installed. In our negotiations for service at the Virginia State Capital and other public buildings in Richmond he has gone out of his way to disparage ADT service and promote Kidde Atmo. The latest development regarding Mr. Jayne is his effort to promote Kidde Atmo system for the historical St. John's Church in Richmond. In this regard, you will [fol. 2226] be interested in the attached report from Sales Representative Beckham dated September 6 together with a copy of Fire Marshal Jayne's letter to one of the members of the vestry of the St. John's Church. Despite Mr. Jayne's opposition, Mr. Beckham informs me that we have been promised the Aero contract for this church.

I am engaged in the process of contacting several friends in the Fire Fighting Fraternity in the State of Virginia in order to determine just exactly what kind of a man we have to deal with in Mr. Jayne, how strong his political influence may be, and what approach we should take in endeavoring to correct this situation. Incidentally, Mr. Jayne was recently elected President of the Virginia State Firemen's Association. Mr. Beckham and I plan to make a trip to Williamsburg in the near future for the purpose of squarely facing up to this problem, after we have all of the necessary ammunition.

As regards competition in the cities in this District which have not been specifically mentioned in this report, suffice to say, [with apologies to J. B. B.] there have been no significant developments this year.

E. J. Heisley, District Sales Manager.

EJH/dp

cc: Mr. A. W. Sullivan.

[fol. 2227] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 140

May 19, 1953.

Mr. A. E. Smith
General Commercial Manager

Competition—Milwaukee

While in Milwaukee I visited the offices of the Merchant Police, our competitor in this city, and had a general discussion with Mr. Harold Leich, President.

Mr. Leich stated that he is vitally interested in the sale of fire alarm services because of the higher profits available in this field. He claims that he does not approach our subscribers but in many instances has been asked to quote on jobs. Mr. Leich told me he does not know our prices nor is he interested in knowing them inasmuch as he intends to make a profit on each installation. He stated that in his opinion our charge for AFA and Tour Service was low. On numerous occasions he has had to reduce his quoted price to get the job.

Mr. Leich feels that he has an advantage over ADT in being able to make a quick decision on any solicitation as to the acceptability on the start of work and any special requirement.

There is little doubt but that Mr. Leich intends to secure as much of the available fire alarm business in Milwaukee as possible and will not be greatly concerned whether or not they come from present ADT subscribers.

In my discussion with Superintendent L. M. DeSchane and Commercial Representatives Miller and Bartz, I learned that the general practice in Milwaukee is to adhere to the prevailing standard annual service charges almost without exception but when competition has been injected into a negotiation we make a needed concession in the advance service charge. It would seem that our desire to secure standard annual service charges has assisted the competition especially when involving renewal increases. I sug-
[fol. 2228] gested to Commercial Representative Miller and Bartz that we should present each renewal proposition in

person for a more comprehensive handling than we could expect by mail and that we should immediately prevent the loss of any existing business to the competitor even if necessary to adjust our annual charges.

In any competitive situation we have two definite responsibilities:

1. To preserve our present subscribers and revenue.
2. To get our fair proportionate share of new business.

It is my opinion that the competitor in this instance has secured a very strong foothold in the fire alarm business in Milwaukee and that we should at once take the necessary steps to slow measurably his progress in this direction.

R. T. Warner, Supt. Field Service.

RD

[fol. 2229] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 141

SAN FRANCISCO, CALIF.

Mr. L. J. O'Brien
General Sales Manager

August 10, 1956.

Competition—Paramount Pictures Corporation
5451 Marathon Street, Los Angeles 38, California

Your records will indicate that our contract with this subscriber was renewed by rider dated April 10, 1956 effective April 1, 1956 for a further period of one year. The ANSC was increased from approximately $12,497.00 by approximately 30% to $15,737.00.

At the time of his renewal negotiations, Mr. K. DeSchane experienced some difficulty because of, what Studio executives considered, a rather sharp increase and because of what, they felt, was quite a sizable amount to be paying the ADT Company for service.

In concluding the negotiation the Studio agreed to accept the increase but only on a one year basis, advising

us that during this one year period they would explore the possibilities of effecting any possible economies as well as competitive services, particularly that of Morse Signaling Devices of California, who, they understood, had established an approved Central Station in the vicinity and who, they felt, were in position to furnish comparable services.

We were advised by Mr. A. C. Zoulis, Studio Engineer, that he hoped sincerely that some arrangement could be worked out whereby he would not be compelled to accept the services of others. He advised us, however, that the uncertainty in the motion picture business had caused Paramount executives to look for every opportunity to reduce operating costs.

While in Los Angeles last week, I learned that the Morse people were at the Studio for the purpose of making a protection survey with the view of submitting a proposal to Paramount, which seems to indicate that the Studio is seriously exploring possibilities of effecting economies.

While in Los Angeles, I had luncheon with Mr. Morris F. Weinstock for the purpose of further discussing our competitive relations in Los Angeles. We discussed at some length the competitive situation between our salesmen with respect to new business, present subscribers, etc., and I am hopeful that some good will have developed from this discussion. I would like to discuss some of the details with you personally but, in the meantime, I presume we can only watch developments.

W. K. Francis, District Sales Manager.

Received August 13, 1956. Exec. Sales Dept.

WKF/ef

[fol. 2230] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 142

LOS ANGELES, CALIF.

May 9, 1957.

Mr. L. J. O'Brien,
General Sales Manager.

Paramount Pictures Corporation
5451 Marathon St.
Los Angeles, California

This renewal negotiation actually started a year ago at which time studio management accepted with reluctance a substantial increase to 1956 basic rates. They flatly refused a 5-year contract at that time but approved a rider extending service under the existing contract for a period of one year to 4/1/57 at the new rate.

The studio engineer was instructed at that by studio management to make a complete and thorough analysis of their ADT services and costs and to also investigate the equipment and services of other companies with the view of effecting any possible economies in their studio protection.

Your files will indicate that a complete and detailed survey was made of our services as presently installed and including a few possible additions and improvements. This survey was made by Mr. K. DeSchane with the cooperation of studio personnel and our local Plant Department and the result was submitted in the form of a 7 page report to the studio of January 23, 1957, a copy of which was sent to you. Mr. DeSchane is to be commended for the manner in which he conducted this involved and time-consuming survey.

The studio requested several alternate estimates and they were presented—Outright Sale of our system to be operated as a proprietary system—ADT inspection and maintenance of studio owned system—partial CO service under studio ownership and extensions to include additional protection.

Similar proposals were requested by the studio and received from Morse Signal Devices of California—Protection

Engineering Company, both operating approved central offices and from Autocall for a proprietary system.

These various proposals were analyzed by Studio Engineer Zoulas and Assistant Studio Manager Porter and submitted to Mr. Freeman, President and the studio executive management committee with their recommendations.

We were subsequently informed by Mr. Porter that Mr. Freeman favored continuing with their present ADT services provided it was economical to do so and requested that attempt to negotiate a renewal contract with ADT be made.

During our rather lengthy discussions, it developed, as we had suspected, that Morse was our principle competitor. We were given to understand that the Morse central office proposal would cost the studio approximately $11,000 per year during the first five years after which the service charge would be less than one-half of our present annual rate.

[fol. 2231] We believe the Morse proposition represents an installation charge of approximately $18,000 with an annual charge of approximately $7,500.

We informed them that we could not in good conscience ask our company to meet this price, particularly in view of our more complete system and the superior services we offered. We suggested that should they wish to consider elimination of the local annunciation, etc. and reduce our system to a straight recording system with local recorder only as proposed by Morse with the attendant conversion costs, that we probably could effect some economies that could be passed on to the studio. We, however, advised against any such changes and they agreed with our recommendation.

After several hours of discussion, Mr. Porter finally agreed that he could probably get studio approval for a renewal of our present service plus Aero for the recording building at a $12,500 annual rate on the 5 year contract basis which we agreed to submit for executive office approval. This represents approximately 74% of the present rate of $16,217 with $623.00 added for the recording building.

This competitive situation, as you know, is not a pleasant one. It is a time-consuming problem, taxes our sales ingenuity to the utmost and particularly when it involves

one of our large subscribers of 20 or 30 years standing. It is most disturbing to say the least. This competitive situation particularly with Morse, is unfortunate since our several attempts to establish with Morrey Weinstock some semblance of respect in our business relations have met with no apparent results.

I am sure you understand that we did the best we could on this solicitation and trust that you will find the contract acceptable and that it will receive your early approval to permit us to proceed with the work of installing the AFA in the recording building.

W. K. Francis, District Sales Manager.

WKF:m

[fol. 2232] In the United States District Court

Government Exhibit No. 143

Report on Survey of Sales Potential
San Jose Peninsula

Exhibit A is a list of 327 prospects that have been selected from approximately 600 prospects that were originally listed. These exhibits are contained in volume one submitted herewith. The original listing was carefully culled by the territory salesmen and the Plant Department inspector, which resulted in the rather substantial reduction. The survey was conducted by an observation of the listed locations on each of the shown streets. This list was later augmented by the inclusion of prospects that were obtained from our salesman, much of which is planned construction. The survey was started from a northern point at Belmont (which is the southern boundary of our Central Station service from San Francisco) and is southward through eight cities to and including San Jose. In the Palo Alto-Menlo Park and Santa Clara-San Jose areas certain city limit lines were not readily identified, and in these cases they are combined.

A separate joint recommendation from the district department heads is enclosed to cover their recommendation for the proposed servicing of this area. This suggested

service coverage, as shown in Exhibit B, will permit us to sell with the advantages of Central Station service, yet not require a sizeable expenditure at this time.

It is estimated that we can obtain a $130,000 in new annual revenue during the next five years by applying and sustaining persistent and adequate sales activity.

This forecast, of course, is contingent upon sufficient and qualified sales coverage, which will entail some additional manpower; with the attendant increase in sales cost.

Currently we have slightly in excess of $75,000 annual revenue under direct connected and local alarm contracts within the area that was surveyed. Exhibit C provides a reviewal of these present subscribers. Many of these con-
[fol. 2233] tracts do not include full supervisory service and these possible extensions will add to our present revenue. Exhibit D shows the communication centers that are involved.

Exhibit E furnishes a map that was prepared by the San Francisco District Plant Office. This first draft of this map was very helpful in my survey work. It clearly showed the manner in which the Peninsula area is readily accessible and interlocked throughout the entire distance between South San Francisco and San Jose.

Exhibits (F) through (L) reports relatively recent developments on the progressive growth of business in the counties of San Mateo and Santa Clara and the serviceable cities within these counties.

All of the information provided in the exhibits are arranged in sequence to provide a geographic review from north to south to coincide with the map labeled Exhibit E.

During the last week of my survey work, I spent about a full day with a K. S. McFarlan, Jr., part-owner of the Republic Alarm Co., 1640 W. San Carlos St., San Jose, California. Mr. McFarlan was very firm in his refusal to consider the sale of his company or the merger of his interests with ours. I was very much impressed by his evident capabilities. During the course of my contacts with his office, it was revealed that they are presently moving to larger quarters, and it is obvious that they intend to work toward the elimination of telephone answering service usage by a conversion to standard Central Station service. It is reasonable to assume that after our lengthy meet-

ing he will approach this expansion with a certain amount of apprehension which may result in this action being delayed.

It is my recommendation that approval be given to the plan projected by the district department heads, with the understanding that our programming envision the establishment of a Central Station operation. The flow of new [fol. 2234] businesses into this entire region should level off within a few years to a degree of centralization at which time we can more economically select a permanent location for our future operations.

W. W. Dooley, Assistant to General Sales Manager.

[fol. 2235] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 144

ST. LOUIS 1, MISSOURI

December 12, 1955.

cc. Mr. Barrett, Mr. De Schane

Mr. W. Hable (2)
General Supt. of Plant

Mr. L. J. O'Brien (2)
General Sales Manager

Mr. J. B. Rustic (2)
General Operating Superintendent

Competition—Peoria, Illinois

Under date of December 7th, I attended a luncheon with Messrs. Barnett, DeSchane, and S. B., Orlo and Dallas Oberlander. A very extensive discussion was held regarding the Oberlanders entering the protection business. We found all three to be very cordial and apparently willing to discuss all phases of their new venture.

We questioned Mr. Oberlander as to when and why he had decided to start into the protection business. He stated that many years ago he maintained a fire alarm system,

made by the Howe Company, in the plant of the Caterpillar Tractor Company. He became very much interested in it and had thought for many years he would like to go into that type of business, and approximately two years ago definitely made up his mind and started making inquiries in visiting various alarm companies around the United States.

He stated that his going into that business should not cause us any concern, and tried to assure us that we would have no difficulty getting along with them as they did not propose to cut prices or do anything that would detract from the dignity of the business.

After the luncheon we visited his central station, which is located in a telephone-answering service office in the First National Bank Building located at Main and Jefferson Streets in Peoria. He has Potter switchboard equipment—that is, the switchboard frame—installed, and has central office batteries in place; they are the C & D type, and is using a flotrol rectifier. The batteries, charger and switchboard had not been wired at the time of our visit; however, he still hoped to be in business by approximately the middle of January.

The three of us endeavored to point out the hazards and pitfalls encountered in this type of business; however, this did not seem to affect Mr. Oberlander or his sons in any way.

We next visited his office and looked over devices that he apparently is intending to use, some of which he secured from Sperling, Edwards, Potter and various other types of equipment. He advised that he had no intention of using anything other than approved equipment.

[fol. 2236] During the discussion at his office, he advised that he did not intend to use Union labor in the protection business, and he was scheduled to hold a meeting with the Business Agent of the Electrical Workers' Union the following day with respect to this. He stated that if the Union insisted that he did, he would have no alternative but to use us as a lever to put over his point. He invited me to attend the meeting; I refused for obvious reasons; however, I asked him to advise me the Union's decision.

On Thursday December 8th I called Mr. Oberlander and he asked that we come out to his office. District Sales

Manager DeSchane, Foreman Seibert and myself went to Mr. Oberlander's office and he advised that a meeting had been held. They had discussed the matter pro and con, and the Business Agent stated that something would have to be done with respect to A.D.T.; however, he would not elaborate. He advised Mr. Oberlander that he was sure some agreement could be worked out along the lines that A.D.T. had, using electrical contractors on certain types of installations. Mr. Oberlander pointed out to him that he had hired one man for an installation which they are now making at the Peoria Star-Journal Company and the man had been run off the job by Union electricians. The Business Agent suggested to Mr. Oberlander that he have this man secure a permit to allow him to work on this job with Union electricians. I suggested that he not do this as he would set a precedent. Mr. Oberlander's son spoke up and stated he was of the same opinion and agreed with my suggestion.

It was obvious that Mr. Oberlander was going to use us as a wedge to gain his end and as a result could get us involved to such an extent that it would jeopardize our future activities in this city, so without making any derogatory remarks about the Unions and without divulging all my knowledge of ways and means to combat the situation, I gave him many suggestions that, while they would assist him, they would also be of benefit to us.

You will be advised of any further matters that come up with reference to the above.

In discussing with these people their entering into this business, looking over their setup, etc., I am of the opinion that their method of getting started is very haphazard in that we are informed by everyone involved—Police Chief, Fire Chief, and Inspection Bureaus—that no application has been made with them whatsoever for the various functions that this firm would require in order to get started. They are making an installation at the Peoria Star-Journal previous to their central office being fully completed and prior to receiving necessary approvals, which does not appear to be good business to me.

All supervisory personnel at Peoria, as well as our Sales Representative, have been alerted to keep their eyes and ears open for any and all future developments with respect

to the competitive and labor setup with reference to this entire subject. We also intend to follow it very closely and will keep you advised of any and all matters of interest. [fol. 2237] All 1956 renewal contracts have been submitted, and only three or four are at this time outstanding, and in no case have any subscribers been called on by this new competitor.

The Oberlander Electric Company, of course, is not counting on this business for their income. As you know, they are large electrical contractors and are engaged in many other sidelines such as the installation of intercommunication systems, telephones, etc. On the surface it would appear that he intends to make this another one of his many and various enterprises, with the thought in mind that some revenue can be derived from it. In our opinion this makes him more serious competition than if he were entering this field for his entire source of income.

J. F. Fryxell, District Plant Superintendent. J. M. DeSchane, District Sales Manager. D. H. Barnett, District Oper. Supt.

JFF:fl

[fol. 2238] In the United States District Court

Government Exhibit No. 145

Confidential

July 16, 1956.

Re: Call's Police Signal, Chelsea

In a discussion to-day with Ben Call and his two associates, Joe Forman & Julie, the following took place.

They stand firm in their decision to enter the Central Station field. Switchboards, c.o. batteries charging facilities and all appurtenant c.o. equipment have been ordered from Potter. They expect to have their central office completely installed by Sept. 15, 1956. Potter Co. will assist in this work.

A 200 pair cable has been ordered from the Tel. Co. and installation will begin shortly. The telephone ex-

change is situated across the street at the rear of Call's building. Surprising to me is the fact that this cable is being provided by the Tel. Co. at installation cost, its use restricted for Call's operation and no recurring monthly rental charge will be made for these facilities between the c.o. & Tel. exchange. A monthly charge of $1.34 will cover all maintenance of the cable in the entirety.

[fol. 2239] Mr. Call indicated every effort will be made to be a clear and fair competitor. He stated the main reason for entry into the c.o. field is predicated on apprehension over growing losses of local accounts to chiselling competitors and the indications that either Hugh McDowell or Malcom Goldstone might make an appearance.

They expect to secure business through converting some existing locals, close personal contacts with many Jewish business people and serving any former GAC subscribers who might be dissatisfied. I questioned the latter. They implied no concerted effort will be made on this score unless they receive unsolicited inquiries. I am in a position to keep abreast of developments here and shall keep you posted.

In my opinion it will be a long time before this operation becomes a serious competitive threat although it doubtlessly will shape up as a nuisance factor in the forseeable future.

[W. Rohlfing], Stip. No. 1.

[fol. 2240] 7/12/56

Confidential

Ben Call
Call's Police Signal Co.
Chelsea

has locals
& Tel Ans service on
small *scale*

It is rumored that Ben has started preparations for establishing a Central Station in the Greater Boston area based on the potential of converting a number of his 2,000 locals to C.O. and securing former GAC customers who may be dissatisfied with present service.

I think he has been further influenced recently because he had to refer several desirable large accounts to us which we successfully negotiated.

I understand he has ordered Central Office switchboards

from Potter and is presently engaged in other preliminary arrangements. He has offered Norm Spencer a job as sales representative. Norm has rejected the offer on my advice, which was given diplomatically.

Hi Thomas who is operating Manchester, N. H. will assist in technical advice and provide experienced installation mechanics to reduce his own payroll as business is slow for him.

[fol. 2241] Meanwhile, Ben has been after me to meet with him (without divulging the reason) but because of a heavy schedule I have put him off until Monday, July 16th, 10:00 am at his headquarters.

[fol. 2242] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 146

BOSTON, MASS.

September 24, 1956.

Mr. A. E. Smith
Vice President
New York

Competition: Call's Police Signal Corporation, Chelsea, Mass.

Supplementing my report of September 6th on the above subject, I am submitting the following information for your use and guidance.

I visited with Mr. Charnock again and learned that his meeting with Mr. Call took place as scheduled. Mr. Charnock advised that Mr. Call has agreed in writing to adhere to all standards and requirements of the National Board of Fire Underwriters, in accordance with pamphlet #71 and on this basis Mr. Call was asked to make application which has been done. He also has formally applied to the City of Boston for retransmission authority.

There is no actual approval as yet in either instance but Mr. Charnock stated that it could not be withheld under the conditions.

Mr. Rohlfing and I spent an afternoon and evening in the company of Mr. Call and visited his central station. They have one burglar alarm subscriber and claim to have some 15 to 20 interested parties, all of whom are from their own list of local alarm subscribers. We explored many avenues in our extended discussion with Mr. Call and while we are reasonably sure that he will not so call "raid" any ADT accounts, he does have the peculiar philosophy that over the years he has given ADT 15 or 20 automatic type jobs due to his inability at the time to serve. Many of these were personal friends and he feels he has a write to now entertain the hope that he can secure their business.

There seems to be little doubt that in the near future Call's Police Signal Corporation will be operating with the approval of the jurisdictional bodies, both Fire and Burglar Alarm Systems and we here are all alerted to that fact and will take every effort to preserve existing business and get a good share of new business.

District Sales Manager, [R. T. Warner], Stipulation No. 1.

RTW:y

CC: Mr. L. J. O'Brien.

[fol. 2243] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 147

MILWAUKEE, WISCONSIN

July 30, 1955.

Competition—Merchants Police; Milwaukee, Wisc.

Mr. E. Turnbull
District Sales Manager

In connection with the survey for BA at the Boston Store Warehouse in company with Harold Leicht some interesting information was volunteered by Mr. Leicht during the afternoon.

He has purchased a building on West Michigan between

4th and 5th St. for approximately $60,000. He put $12,000 down and with the rent from the downstairs expects to have it paid for in 12 years. He expects to move by next February. The delay is due to availability of cable from the telephone company. I think he said he was getting over 600 pairs. The entire second floor will be taken up by h. central office, telephone answering, watchman, and radio paging services. The downstairs is leased to Olsen Warehouse (Radio and Television Wholesalers) which had Merchants BA installed before Mr. Miller could even complete a survey last Spring.

I also met Jim McElroy, Protect-O-Wire Repr. who was in town meeting with Leicht.

Mr. Leicht told me the old familiar story of how he started in business and how several of our New York people visited him from time to time and more or less "threatened" him about competing with ADT. This was accepted as a challenge by him, so he proceeded to build up the business. He said it took him approximately 8 years to break even on the Central Station but only 18 months to do the same with the telephone answering and radio paging service.

He also told me they had installed the same sonic detectors at Dorecrest Poultry (I lost this prospect 6-14, Comp. Report 133) as they had at Anderson Jewelry (Bartz lost this one). He said he'd give anyone a one year contract if that (copy illegible) first of August. He said he doesn't see many of the contracts before the deals are made and said his salesmen are capable of pricing jobs. We can still look at his books at any time and verify his prices.

[fol. 2244] An interesting sidelight was the statement made by Mr. McElroy that his automatic fire device could be installed so much cheaper than our Aero and that one of the ADT subsidiary Companies in the East was purchasing Prot-O-Wire and installing it because of this difference in price.

McElroy formerly worked for NFPA and knew many from our New York office. He and Leicht were going to see the Wisconsin Rating Bureau but I don't know what for.

I also met a Mr. Voight who works for Merchants. I met him again yesterday (Friday) while I was at General Merchandise. I was checking our BA installation after remodeling and several discontinuances and supplements to

the parent agreement had been made preparatory to putting it all on one agreement. He came over and said hello and told me I was probably there for the same reason he was. I asked him what that was and he said Automatic fire alarm. We had been called in to make a survey also, and I requested the Plant department on 7-27 to make a preliminary estimate. I since have asked Foreman Schilke to hustle it up because of this chance meeting with the competition. I imagine we'll have to shoot pretty low on this installation in order to get it.

The above comments are for your information.

Very truly yours, [Prepared by an ADT Commercial Representative], Stipulation No. 1.

[fol. 2245] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 148

SAN FRANCISCO, CALIF.

March 28, 1958.

Mr. W. K. Francis
District Sales Manager

Competition—Bay Burglar Alarm Company

As discussed, Everett Westphal, owner of the Bay Burglar Alarm Company asked to have luncheon with the undersigned earlier this week to discuss some sore spots which came about through dismantlement of Bay equipment and installation of ADT,—No problems in this connection and our conversation was congenial.

Westphal confirmed previous rumors that we had heard regarding his plans to open a Central Station to cover the East Bay cities. His plan is to consolidate his present local alarm and answering service arrangement with the Fire Dispatch and Patrol, who run a door shaking business, and also furnish guard service to industrial plants similar to Pinkerton but cheaper. It is Westphal's opinion that the establishment of a Central Station would not entail any appreciable increase in overhead from a payroll standpoint, since both organizations now have a 24 hour operation.

The plan is to first convert about a hundred local alarms to central station at a price between local and ADT central station rates. Westphal feels that there is a need in Oakland for an in-between service such as this. He has approximately eight hundred locals at the present time.

Westphal realizes that his main weakness is lack of fire alarm business, but he would not reveal his intentions in this direction.

We gave him our personal opinion that there was no room in the East Bay for two Central Stations, and that his only possible way of succeeding would be to steal present ADT subscribers. He assured me that this was not his intention —but it is obvious that without substantial new construction Westphal would be compelled to tackle present ADT subscribers.

He advises that some decision will be made in August and also wished to impress me that nothing definite had been decided—it is still in the planning stage.

If you wish, I will continue to keep on friendly terms with Westphal and report on developments.

R. P. Lucy, Sales Representative.

RPL/ef

[fol. 2246] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT NO. 149

SAN FRANCISCO, CALIF.

May 15, 1952.

Mr. E. B. White
Commercial Superintendent

General Plant Protection Company
6900 S. Hoover St.
Los Angeles, California

As outlined during our recent discussions, and as indicated in previous correspondence, this concern has been toying for some time with the idea of establishing a central station for rendering approved BA and FA services. As indicated in my report of 3-14-52, they have formed a separate

company for this purpose known as the Protection Engineering Company which is a direct affiliate of the above and largely owned by the same people.

Some few months ago, plans for their proposed central office were submitted to the Pacific Fire Rating Bureau, contemplating the use of a portion of their existing building for this office. I was given to understand, however, that this plan was rejected by the PFRB because the type of construction was not in accordance with Underwriters regulations. I have now been given to understand that they have tentative plans for construction of a separate building, approximately 20′ x 40′, immediately adjacent to their existing building at 6900 S. Hoover St. to house the proposed central office, and that tentative plans for the structure have been reviewed by the PFRB.

I was advised yesterday by Mr. Wattress who heads up the fire alarm end of the company that their plans for the central office are marking time at the moment, not much progress is being made, but that he feels that in due course they will proceed in establishing their central office. He stated they have approximately 70 large industrial accounts whom they serve with guard service and approximately 25 accounts using their protection engineering service, and that with this backlog of accounts he feels they should be able to go right ahead with the work of building a central station business. He agreed, however, that there would be considerable cost entailed in operating and rendering the service and that it might be some years before they could actually show a net profit.

I explained to Mr. Wattress that the ADT Company was seriously considering establishing a central office in the area, that our business had grown in the southerly portion of Los Angeles to the point that we could now establish a central office at very little additional annual cost because of accrued savings. I also explained that unlike most concerns, the ADT Company built its revenue to a point where it was possible to sustain a central office or at least possible to put the central office on a paying basis within a matter of a year or two. Most concerns who had attempted the business had failed because they had established the central office first and that the overhead killed them before they were able to secure sufficient profitable business.

We had quite a lengthy discussion along these lines, and I am sure it gave Mr. Wattress something to think about. He has had absolutely no experience in the central station business, although he is conversant with fire alarm systems in general. I think Mr. Wattress has some financial interest, and I am equally sure that he hopes to operate this new organization on a profitable basis.

I hope to accept Mr. Wattress' invitation for a visit of their plant at an early date and will advise you further developments at that time.

W. K. Francis.

[fols. 2247-2248] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 150

LOS ANGELES, CALIFORNIA

July 26, 1960.

Messrs: W. Hable, General Plant Supt.
L. J. O'Brien, General Sales Manager
J. B. Rustic, General Supt., Operating Dept.

Proposed Central Station Anaheim
(Orange County) Calif.

About the first of 1956 we entered Orange County with standard central station service and special guard coverage. At that time we had about $22,000.00 in Annual Service Charges for modified and direct connected services. Up to the present time this territory has never had full time Sales coverage but has been worked part time by one salesman in conjunction with adjacent Los Angeles County areas, never-the-less our ANSC under contract as of June 1, 1960 has increased to $84,338.35.

(It is to be noted that some previous information under the subject "Orange County" has included certain adjacent areas in Los Angeles County, while this proposal will pertain to Orange County only.)

Orange County has experienced phenomenal growth in population and in industrial development. All economic

surveys and reports predict a continuation of this rapid development and an eventual industrial and business community of such proportions as to require the services of a major central station. As in the San Fernando Valley, we feel that in order to obtain full advantage of this rapidly growing market; to cultivate our potential business and increase our revenues as rapidly as possible; to maintain maximum competitive advantage and perhaps preclude establishment of a competitive central station in this increasingly inviting territory, ADT should be first in Orange County with a central station and an aggressive, augmented Sales program. This area is too remote to be served effectively through the years from Huntington Park —sooner or later there will be a central station in Orange County, and we believe the time for us is now.

We propose to locate the central station at approximately Lincoln Avenue adjacent to the Santa Ana Freeway in Anaheim—the precise location to be determined upon further investigation following approval. The central station territory would comprise all of that portion of Orange County which is presently within the established limitations for central station service as indicated on the map submitted herewith. Most of this area would be within 20 minutes elapsed time, and all of it well within 30 minutes from the new central station.

Presently served from Huntington Park, this territory is about 17 miles from that central station at its nearest point, and extends to a distance of about 36 miles.

Following is a summary of the services and revenues involved:

	Subs	Systems (BA)	Units	ANSC
CBA	45	84	1,372	$36,212.16
NW-FA	2		16	1,029.58
WF-SS	38		567	36,756.41
AFA	14		90	10,340.70
	99	84	2,045	$84,338.85

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[fol. 2249] Sales Department:

In a recent report issued by the Research Department of the Security First National Bank of Los Angeles, it is said that Orange County is the fastest growing county in

California, and is the fastest growing county of over 300,000 population in the United States; that it presents a spectacular picture of growth and development, and provides exceptional opportunities for those wishing to serve the area's expanding economy, to participate in its growth and share in its benefits. A Central Station is definitely needed in order to grow as we should in such a rapidly developing community.

It is our intention to use two salesmen in this area, after the central station is completed. We feel that in order to properly cover Orange County saleswise, it will be necessary to have the two salesmen located in the area in order that they will not have to travel all the way to Los Angeles, because of the considerable amount of time that is lost in traveling such distances.

With a central station in this area, we will discourage any of our competitors from opening up a central station, as it is now very likely that one or the other, seeing the present and the constantly expanding prospects, will soon open a Central Station in the area. The first to make such a move, whether ourselves or another, will have a tremendous competitive advantage over all others, and we should act to secure this advantage for ourselves.

At the present time we are seriously handicapped by the fact that we do not certify any Burglar Alarm Service in this area. With a central station in Anaheim we would be able to issue certificates in most of the area if necessary.

We feel that a central station in Orange will greatly enhance our prospects. With the central station, and two (2) salesmen in this area, we will be able each year to increase our annual service charges by $30,000. Without such a set-up, and a competitor moving into this area, we will be doing well to hold what we have.

B. B. Jones, District Operating Superintendent. L. Nelson, District Plant Supt. J. K. Scott, District Sales Manager.

BBJ:mh

[fol. 2250] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 151

March 24, 1959.

Mr. J. A. MacDonald
First Vice President

Proposed Central Station San Jose, California

Attached is a copy of the joint report submitted by the three superintendents in San Francisco, supporting their recommendations to establish a new central station in San Jose, California.

The estimate of operating costs are accurate for a minimum size office and are approximately the same as our present costs in Sacramento. However, due to the extent of the area to be served by the proposed central station, I feel it will be necessary to establish a guard station, probably in Palo Alto. The cost for a guard station will run about $18,000 per year and this will raise the recurring operating costs for the central station to $69,829 per annum.

In view of our present business in the peninsular area and the potential estimated by the Sales Department, I recommend the establishment of an ADT central station in San Jose. Such a move will place any potential competitors at a decided disadvantage, but more important it will permit us to furnish our subscribers the full benefits of our protection services.

[J. B. Rustic], Stipulation No. 1, General Superintendent, Operating Department.

cc: Mr. E. A. Smith, Mr. W. Hable.

[fol. 2251] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 152

NEW YORK

March 20, 1959.

Mr. L. J. O'Brien
General Sales Manager

Proposed Central Station—San Jose, Calif.

This has reference to my March 10 letter addressed to you, with copy furnished to Mr. MacDonald. I received my copy of Messrs. Francis', Halstead's, and Johnson's joint recommendations for the establishment of a new central station at San Jose. Their joint submittal is splendidly prepared and furnishes all preliminary data needed for presentation to management for approval consideration.

Since there is the possibility of a competitor establishing a central station at this city, I believe that the improvement in service now rendered our local and direct-connected subscribers in this area, as well as the greater sales potential that will prevail if we can offer central station service, warrants, and I strongly recommend, the establishment of an ADT central station at San Jose.

W. Hable, General Supt. of Plant.

WH/L

CC: Mr. J. A. MacDonald, Mr. A. E. Smith.

[fol. 2252] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 153

LOS ANGELES, CALIFORNIA

March 4, 1959.

Messrs: J. B. Rustic, General Superintendent, Operating Department
W. Hable, General Plant Superintendent
L. J. O'Brien, General Sales Manager

Proposed Central Station—San Diego, California

We have received notice from the San Diego Police Department that all direct connections of Burglar Alarm and Holdup Alarm Services must be removed by approximately July 1, 1959. Consideration has been given to the possibility of serving our subscribers by direct connection to some other agency, such as a telephone answering, or by conversion to local alarm service only, but we find that there is no means by which we can render an effective service, to retain our present subscribers and to promote the future development and growth of our business in the area, except through the establishment of a Standard Central Station.

San Diego is a large and rapidly growing city, with a present population of some 600,000 within the city limits and close to a million in the metropolitan area, most of which would be accessible to Standard Central Station service. It has a large and growing industry, now becoming well diversified and no longer dependent upon any single factor, such as the large Naval installations, for its economic well being and continued growth. We are fully confident that within a reasonable time it will support a profitable Central Station, and eventually a very large one.

Our present revenues are as follows:

	No. of Subs	Annual Revenue
B.A.—D.C. to Police Department	22	$18,202.82
B.A.—D.C. to Answering Service only	6	6,455.30
W.F. A.F.A.—D.C. to Fire Department	32	21,830.18
W.S.S.—D.C. to Police Department	1	660.00
Local & Misc.	5	931.00
		$48,079.30

All of these with the exception of two fire alarm subscribers in Escondido and two B.A. in La Jolla are accessible to Standard Central Station service.

It is estimated that there is potential business sufficient to provide $250,000 in annual revenues and that these can be added at the rate of $25,000 to $30,000 a year. Heretofore we have had only part-time sales coverage, but when decision has been made to establish a Central Station two salesmen will be assigned for an initial period of six to nine months, after which one full time salesman will be maintained. Availability of all types of Central Station service will greatly increase our sales potential.

A map is enclosed, on which we have outlined the approximate areas which would be accessible to Burglar Alarm and to Fire Alarm service; the location of telephone exchanges, and the area within which we propose to locate [fol. 2253] a Central Station. Preliminary investigation discloses that suitable rental properties are extremely scarce in this or any acceptable location and, pending further exploration of rental possibilities, we believe it will be necessary to arrange for construction of a suitable building which we could lease with option to purchase. To accommodate the anticipated growth of the Central Station, we believe that a minimum of 2500 to 2600 square feet of space should be provided, with about 250 square feet for Sales, 800 for Plant and 1400 for Operating. We estimate that the construction cost would be approximately $32,000 to $36,000, and a probable rental figure would be $550 to $600 per month.

Approximate cost estimates are:

Sales: Sales activity will be greatly augmented, but the cost will be related to new business production rather than the operation of a Central Station as such. One salesman will be maintained permanently at an estimated cost of $15,000 annually; initially a second salesman will be assigned temporarily at a cost of approximately $7,000. Pro-rata of office rental will be about $750 annually.

Plant: Cost of installing the Central Station will be approximately $16,400.00; increase in

payrolls due to elimination of present combination supervisor-salesman, and other expenses is estimated at $3,365.00 and rental $2460.00 annually.

Operating: Initial costs for office furniture and fixtures and vehicle approximately $5,000; cost for payrolls and all other operating expenses approximately $55,000 annually.

Competition is developing very strongly in the San Diego area, not only in the fields of local and (up to this time) direct connected services, but also in the direction of Central Station operation. One local company (Roger Patrol) has already installed Central Station facilities and offers to make these available to others—this is one possible solution for those who must remove their direct connections from the Police Department. Morse Signals is quite active in the area and is considering a Central Station operation.

We feel it is imperative that sooner or later we must move into this big and growing area with a Central Station; that the first to make such move with a vigorous program will have a decided advantage, quite possibly to the extent of excluding others; and that we should therefore act promptly to install a Central Station for the transfer of direct connected burglar alarm services from the Police Department on July 1, 1959 or the earliest possible date thereafter.

We recommend prompt approval accordingly.

L. Nelson, Dist. Plant Supt.

J. K. Scott, Dist. Sales Manager. B. B. Jones, Dist. Operating Supt.

CC: Mr. A. E. Smith, Vice President (2)

[fol. 2254] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 154

August 3, 1960.

Mr. J. A. MacDonald
First Vice President

Proposed New Central Station San Fernando Valley
Los Angeles, California

The attached file is a submission by the three department heads in Los Angeles for the establishment of a central station in the San Fernando Valley area. It has the recommendation of both Mr. O'Brien and Mr. Straus.

Some five years ago we considered the establishment of a central station in Hollywood to handle this area. We did not go through with it and, subsequently, Morse put his central station in the Hollywood area and it has cost us considerable in competition. At the present time The West Coast Burglar Alarm Company are very active in this area, and it is rumored that they plan a central station. If we go into the the area first we will, undoubtedly, stop them and give us, at the same time, proper service coverage which we do not have at present.

We have three offices in Cleveland which does not cover near the area, nor have the business potential, of Los Angeles. The Los Angeles Flower Street office can handle traffic efficiently at far as Hollywood, but to extend the next twenty-six miles into the San Fernando Valley is not feasible, nor practicable, if we are to further develop business in this rapidly growing area. We have a major facility problem, and cannot give anything but local, or equivalent, certificates which hurts is in competition.

[fol. 2255] I personally reviewed this problem with the department head in Los Angeles last week, and made a refresher trip over the area. The potential business is there, and we can increase our present business from $160.000 by at least thirty to forty thousand a year with a central station facility. The cost seems nominal when we consider the saving in guard stations and wire rental.

Some of our biggest subscribers are in the Valley area,

such as Warner Bros. Pictures Studio and Sears. They have not been too satisfied with present arrangement, and with Sears building another store we will have to consider better service for them.

Los Angeles is the third city in population in the United States, and probably covers the biggest land area of any other city. The potential is there, and we must have facilities to serve it.

——, ——, Vice President, [A. E. Smith] Stipulation No. 1.

AES:AS

[fol. 2256] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 155

CC: Mr. L. J. O'Brien

July 12, 1961.

Mr. J. A. MacDonald
First Vice President

Proposed New Central Station
San Fernando Valley—Los Angeles, California

You will have received copy of Mr. O'Brien's letter of July 10, 1961 with Mr. Highstone's recommendations respecting the advisability of a new central station somewhere in the San Fernando Valley. Unfortunately, Mr. Highstone does not submit anything that would cover the questions raised in your letter of August 9, 1960 and my response of August 10, 1960. Despite his strong feeling that we should proceed without delay to initiate central station service in the Valley, his submission offers little support for the Company assuming the large expense involved and does not specifically indicate how we would be better off with an additional central station than we are with our present revenue of $200,000 without the expense of an additional central station.

My letter of August 10, 1960 recognized the difficulty of justifying an additional central station anywhere strictly on a financial basis but it would be helpful if we had something more substantial than a competitive threat to justify

the expenditure and the six or seven years of deficit operation in lieu of the probable profits from the present Valley revenue.

A more definitive reason for establishing the additional central station is contained in a statement in Mr. O'Brien's letter than we may forfeit the opportunity of an efficient infiltration of the market.

I have no doubt that there is a rich market in the San [fol. 2257] Fernando Valley. However, we are still in the red at San Diego, San Jose and Sacramento. We cannot invest too far into the future while we are still paying off on our past investments. I do not think this means that we cannot expand into new areas. It may mean, however, that standard type central stations are too expensive for initiation under present conditions. We have talked about extending our multiplex operations beyond the experimental stage and it may be that the San Fernando Valley offers an opportunity for us to do so on a full-scale practicable basis. Whether or not this can be done more economically than a standard central station is something to be determined. I assume we have figures or can put them together and I assume that the Sales Department can gather more definite figures respecting the Valley potential so that the costs can be computed and a submission for Board approval properly supported.

E. Gaston, President.

MT

[fol. 2258] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 156

June 3, 1952

Attach to file

Memorandum To

Mr. J. A. MacDonald
Vice President

Proposed New Central Station
2561 Saturn Street
Huntington Park (Los Angeles)
California

This memorandum is to record my oral report to you concerning the proposed establishment of a new central station in the Huntington Park area of Los Angeles. I made a personal survey of the area and proposed location of the central station while at Los Angeles on April 25 and 26, 1952, accompanied by Mr. Ross Byer, Central Plant Foreman, and by Commercial Representative Cooley and K. DeSchane, both of whom had considerable operating experience prior to transfer to commercial department.

It is my unqualified recommendation that a new central station be established in the Huntington Park area in order to take care of our present subscribers in that section, and to enable us to serve present potential and the future growth of Industrial and Mercantile business in the southeast section of Greater Los Angeles. The proposed location of the central station at 2561 Saturn Street meets with the approval of all members of the commercial department in Los Angeles, and appears to be well suited for our operations.

Mr. White recently wrote me as follows:

"The proposed Saturn Street location is ideally situated in the center of the path where we have had our greatest ADT sales growth in Los Angeles during the post war years. New industrial growth would find it impossible to go north because of the mountains, and west because of the ocean so the opening is towards the

south and east. Our sales in the Huntington Park Central Station area ran about $100,000.00 ANSC for 1951 and I would expect this figure upped 25% if we had the proposed new central station, because of the improved quality of service, the increase in sales manpower (which I expect to add to the area) and the [fol. 2259] saving in salesmen's travel time.

"The Saturn Street office would have 3000 square feet of floor space and could accommodate 4 salesmen and 2 clerks. These 4 CR's would be 30 minutes nearer to their territories if based at Saturn Street, which would reduce their travel time an hour per day and relieve the present overcrowding at 800 Mateo Street."

The Huntington Park area and contiguous sections east and south toward Long Beach are presently heavily industrialized and the trend of the present growth of Greater Los Angeles is in that direction. A probable competitor is already established in that area under the name of the General Plant Protection Company whose principal business at this time is supplying guard patrol service to the many plants in this part of Los Angeles. A former representative of the Autocall Company has recently become affiliated with these people, and they have advised us they are considering establishing a central station signaling service in the area, and plan to construct their own building in order to render the service. I feel that we should lose no time in establishing our own central station and actively soliciting everything within the territory that can be served by it. The establishment of a central station in Huntington Park will also permit the moving of certain guard stations toward the west which will bring in a considerable amount of potential that has been beyond our present limitations. This particular area adjoins the Municipal Airport, and the large aviation manufacturing plants such as Douglas and North American.

I reviewed in detail the present operating map of Greater Los Angeles with Operating Superintendent Jones and Manager Sapp, and they are in agreement with me that considerable new business would be open to our solicitation as well as enabling us to render more complete and better service to present subscribers. A copy of Mr. Jones letter

to Mr. Sofge of May 1, and reporting on my survey with the local people, is attached as information.

It has been my contention for several years that an additional central station should be established in Los Angeles. My desire for this new central station is not prompted solely by increase in potential available and new business, but to a certain extent by the feeling that the present office was overloaded, and the necessity for improving the amount [fol. 2260] and character of our service, especially in the southeastern section. It is my opinion through observation and discussion with my local people that additional guard power would be necessary in this area even under present operating setup, and that so much more can be accomplished, service-wide, by the installation of a central station.

I predicted in 1946 that Los Angeles would double its revenue in five years, and this prediction has been fulfilled. Los Angeles in the first four months of this year is writing new business, exclusive of increases on renewals, at the rate of $200,000 per year. If we include increases, the net annual change is at the rate of $160,000 a year. We presently have eight territory salesmen and three trainees soliciting in Greater Los Angeles. It is our plan to have eleven territory salesmen within the next six months if the additional central station is established which will give us access to additional potential.

A. E. Smith, General Commercial Manager.

AES:AS

[fol. 2261] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 157

NEW YORK

April 13, 1959.

Mr. L. J. O'Brien
General Sales Manager
Mr. W. Hable
General Supt. of Plant
Mr. J. Rustic
General Supt. Operating Dept.

Proposed Central Station
New Brunswick, New Jersey

According to the current issue of the "'New Jersey Industrial Directory" Union and Middlesex Counties constitute one of the most favored industrial areas in the country and among those expanding most rapidly. As a suburban manufacturing community, it is somewhat unique. Out of a total population of 700,000, 231,000 are gainfully employed in over 3000 industrial establishments, whose total payroll exceeds $800,000,000 per annum. Not only is the rate of employment to population high, but during the past ten (10) years the increase in population has been 13.5%, while those employed in industry have increased over 50%. Furthermore, this growth in industrial expansion has taken place primarily within an area of 200 sq. miles due principally to a somewhat favorable labor situation ready availability of transportation and access to advantageous markets. This favorable situation should continue.

Twelve years ago we did not serve a single subscriber from our Newark Central Station in the lower part of Union or in any part of Middlesex County. Today, we are rendering either standard or modified Central Station Services to 155 subscribers in this area from whom we receive $199,-808.01 per annum in service charges. All of these subscribers are served from a distance of not less than 10 miles, an average of over 15 miles, and in some cases a distance of over 30 miles from Newark. A few are receiving only direct connected and/or local service. A complete list of

these subscribers, their location and service charges being paid us, is attached and labelled "Exhibit A."

Consistent with our expanding sales efforts in this area, we now have outstanding recommendations and quotations involving 46 additional industrial and commercial organizations from whom we hope to ultimately derive additional revenue totaling over $100,308, a list of which is attached and labelled "Exhibit B." Likewise included for ready reference is an additional list of industrial and commercial organizations already established on our records as prospects and from whom, based on the law of averages, we should obtain in excess of $100,000 recurring annual service charge based on past experience. This list is labelled "Exhibit C."

[fols. 2262-2263] In order to readily visualize our distribution of subscribers, the Operating Dept. has furnished for the information of those concerned, maps showing the distribution of our subscribers, types of services rendered, and areas of concentration covering Union and Middlesex Counties. These are labelled "Exhibit D" and "Exhibit E" and made a part of this report.

Also submitted, as a matter of information, is a map showing the suggested location of the proposed Central Station in New Brunswick, the 10, 20 and 30 minute guard response zones in appropriate identifying colors, the purpose of which is to provide a suggested plan of operation to be followed by our Operating Dept. if the Central Station facilities recommended are established. This map is labelled "Exhibit F."

Reference is made herein to the report of Plant Supt. Burns, dated 12/2/58, under the title "Proposed Subdivision of Existing Central Station—New York District," copies of which are available, since we are quoting therefrom certain reasons set forth by Mr. Burns favoring the establishment of this operation.

It is properly the contention of District Plant Supt. Burns that the establishment of an additional Central Station at New Brunswick would: (a) reduce current wire costs to the extent of $5,000 per annum; (b) eliminate, or at least materially reduce difficulties now being experienced from excessive line resistance; (c) minimize technical and operational difficulties normally encountered where service is

rendered at long distance using leased wires; (e) the establishment of the proposed facility would probably discourage competition from doing likewise thus placing us in the premier position to succeed in this attractive area.

* * * * * * *

[fol. 2264] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 158

NEW YORK

August 17, 1955.

Mr. L. J. O'Brien, General Manager
Sales Production Department

Re: New Central Station
Nassau County
Long Island City, N. Y.

In the interest of Executive Account subscribers and from information received from District Sales Manager, Mr. W. J. Doyle, I am taking the liberty of recommending the establishment of a central station in Nassau County. I recommend that this central station be established as soon as possible for the following reasons:

1. This area has had one of the largest population increases in the United States in the post war era.

2. Because of the fine new labor market, the availability of land, the proximity of New York City, favorable taxes, etc., many new industrial and commercial establishments have moved into this area.

3. Many Executive Account chain and department stores and independents are building or have built, new outlets in this sound and highly populated area.

4. At the present time, the subscribers in this area are paying our organization approximately $65,000.00 in annual revenue. Approximately 40% of this annual revenue has been obtained in the past two years.

5. By the fine efforts of our sales department, there are

immediate prospects for an additional $20,000.00 in annual revenue.

6. If the independent banking companies in this area were advised of our intentions of establishing a new central station, it might be helpful in obtaining an additional $20,000.00 to $40,000.00 in annual revenue.

[fol. 2265] 7. By having a central sation in Nassau County, a substantial saving in wire cost could be realized because signals are now being transmitted to our central station in Long Island City.

8. Better ADT Service could be rendered from a central station in this area, instead of having one guard responsible for approximately 81 subscribers.

9. If a central station is established in this area, better relations would exist with our present subscribers, Executive Account subscribers, public officials and officers of police and fire departments in addition to personnel in the insurance fields.

10. A new ADT central station would also help deter the present serious competitive situation.

11. Valuable revenue could be obtained for many more companies who are prospects for our service.

12. Morale of our sales personnel would be improved because of the new sales potentials created by the establishment of a central station.

13. A new central station located near our executive office would be advantageous because managerial studies and observations would be readily available.

14. By having a central station in Nassau County, heavy signal traffic in Long Island City could be eliminated.

15. A saving in travel time for plant, operating and sales departments would also be made by our organization.

16. Advertising and public relations' values would also be received.

17. An investment in a new central station in Nassau County at the present time would be advantageous because of the present federal tax situation.

18. A new central station in this area would demonstrate to our stockholders, our desire to expand and, therefore, render better service to more customers and ultimately, obtain greater profits.

[fol. 2266] Because of the large growth potential in this area, I would recommend that a joint office for plant, operating and sales departments be constructed to our specifications. This building could be designed along the same lines as our new Quad City.

In my opinion, it is imperative that this central station be established as soon as possible. If any further daleys are incurred, our competitor will in all likelihood, establish a central station, and our organization shall be in the same relative position on Long Island are we are now confronted with in Dallas, Texas.

Frank J. Concannon, Executive Account Representative.
AH

Atts:

1. List of present subscribers.
2. List of subscribers secured by competition.
3. List of ADT jobs secured in competition.
4. List of prospects for protection pending, due to competition.
5. Map of Nassau County indicating locations of present subscribers with the type of service being rendered.

cc: Mr. W. J. Doyle, District Sales Manager Mr. J. W. Groh, Sales Representative Mr. G. S. Held, Sales Representative

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[fol. 2267] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 159

April 14, 1952.

Mr. A. E. Smith
General Commercial Manager

Possible Establishment of Central Station at Jamaica, Long Island

Since the first of the year, correspondence has been exchanged between Mr. Hammergren and Mr. Hable and between Mr. Hable and Mr. Sofge concerning the desir-

ability of opening a new central station at Jamaica, Long Island for the purpose of effecting reductions in wire facility expense and expanding our ability to serve subscribers in this growing area. On April 3, 1952, Mr. Hammergren reported the following to Mr. Hable:

> "Yesterday I was told that at a recent Union meeting, members of Class H who work for the local Burglar Alarm Companies were discussing the possibilities of a number of local companies getting together and establishing a Central Station Burglar Alarm Office in this area."

If there is good business to be obtained, in the vicinity in question, we certainly do not want to see anyone established in the central station business, ahead of us, but equally certainly, we must have more facts with which to deal than presently in our possession.

Will you please let me know what consideration you have given to the proposal to establish a central station at Jamaica, Long Island? Precisely, what territory would we contemplate to serve from this central station? What seems to you to constitute the central station potential in that territory and what are your views concerning the suggested expansion?

These thoughts are all preliminary to whatever study ultimately must be accorded this proposal before we are in proper position to treat with it. As indicated in the correspondence file having to do with the proposal to establish a second central station in the Huntington Park area of Los Angeles, the question is one for joint consideration on the parts of all those having a departmental interest.

J. A. MacDonald, Vice President.

MRH

CCs: Mr. E. Gaston, Mr. W. Hable, Mr. B. H. Sofge.

[fol. 2268] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 160

LOS ANGELES, CALIFORNIA

July 26, 1960.

Messrs: J. B. Rustic, General Supt., Operating Department
L. J. O'Brien, General Sales Manager
W. Hable, General Plant Superintendent

West Coast Alarm Co.
Certification
Long Lines

Proposed New Central Station San Fernando Valley
Los Angeles, California

We started selling services in the nearer portions of the San Fernando Valley some few years ago, and from time to time have increased our operations to take in newly developing areas until now most of the Valley has been accepted for Central Station Service. With only part-time coverage by one salesman, our business has, nevertheless, developed substantially until now we have in excess of $160,000.00 in recurring annual service charges.

This is a rapidly growing area, both as to population and as to business and industry. Large sections have been zoned for industry in various parts of the Valley, and new industry is moving into these areas month after month; Bullock's, Sears and May Company are a few of the department stores that are going to build new stores in this area in the coming year. Continued growth and development is anticipated, and we have no doubt that within the next several years there will be enough business in this area to support a very substantial central station opration.

In order that we may exploit this potential in the fullest extent, we must be first in the area with a central station, and all facilities to render the best possible service, plus an augmented sales program. In the Los Angeles area there are already two other approved competitive central stations, and a third is to go into service shortly. There are

rumors of others, and we feel there is little doubt that eventually someone will go into the Valley with a central station, and the first to go in may well be the only one for some time to come. We feel that an ADT Central Station should be the first in the area, to maintain and improve our competitive advantage, to expand our prospects and to increase our customer list and revenues as rapidly as possible.

The area to be served by this proposed new Central Station comprises all of the San Fernando Valley where we now operate, as outlined on the map herewith, and includes:

Burbank	Reseda
North Hollywood	Canoga Park
Universal City	San Fernando
Van Nuys	Northridge

and other lesser communities within the area.

In this area we now have in service or under contract, as of June 1st, the following:

	Subscribers	Systems (BA)	Units	ANSC
CBA	97	134	2,561	$70,310.36
NW-FA	9		417	16,716.11
WF-SS	32		1,106	58,710.47
AFA	13		100	13,818.39
	151	134	4,184	$159,555.33

Most of this area is within the City of Los Angeles excepting only Burbank and San Fernando. The nearest point is approximately 10 miles from our present Los Angeles Central Station, and the farthest about 36 miles driving distance. It comprises some 40% of the land area and population of the City, and was predominantly residential some years ago, but is rapidly developing in- [fol. 2269] dustrially in the large and numerous sections which have been zoned for industrial use.

A Central Station would be located in Van Nuys, in the vicinity of Sherman Way and Van Nuys Blvd., approximately in the center of the Valley and within about one mile of a principle telephone exchange. From this point most of our present operating area would be within 20 minutes, and all of it well within 30 minutes.

Operating Costs:

The business to be transferred from the Los Angeles Central Station represents only about 6% of its subscribers and 9% of the revenue. This is not sufficient to bring about a reduction of operating personnel in the Los Angeles Central Station, but would tend to enable the absorption of more business without an increase; conversely, it would tend to increase our bookkeeping detail. In the aggregate we estimate no net change in operating costs for Los Angeles Central Station, excepting the #13 Guard Station, which would be absorbed into the new Central Station. Presently this station is part-time only, but studies are now under way toward increasing it to full time and we know this must be done now or in the near future.

We have made no investigation of rental possibilities, but believe that space to accommodate the Operating Department only, or the Operating portion of jointly occupied space, would cost approximately $350.00 monthly.

We would estimate all direct operating costs, including rental for Central Station space, at $60,000.00 annually. Deducting from this the present approximately $10,000.00 annual cost of operating the part-time Guard Station together with special Guards, leaves an increase of $50,000.00; or as compared with the cost of operating a full time Guard Station, which definitely will be required, the operating cost increase would be about $42,000.00.

There would be an initial cost of about $3,500.00 for all furniture, fixtures and miscellaneous—an automobile already is provided for the Guard Station.

There are obvious advantages to be derived through operating these services from a new central station in the Valley; increased and improved supervision will be provided; improved Guard response, as compared with our present part-time guard station operation; effective subscriber contacts and relations can be maintained—now a practical impossibility from the distant Los Angeles Central Station with the limited personnel available for this important activity.

Facilities:

We have a total of 30 McCulloh Circuits operating into the San Fernando Valley—17 CBA, 3 NW and 10 WF-SS-AFA. Preliminary estimates indicate a savings of $6,173.40 annually by transferring these circuits from the Los Angeles Central Station to a new Central Station at the proposed Van Nuys location. Less than a half dozen of these circuits are at near capacity signal-wise, but most are near the limit of resistance, with readings of 10 to 14 mils. Elimination of the long lines from the Valley to downtown Los Angeles should increase the capacity of these circuits with substantial additional savings made possible, wither through consolidation of circuits, or adding new business to existing circuits.

Plant Department:

The establishment of a central station in the Valley area will not in any way effect the construction phase of Plant operations in that all such work is under the direct charge of an Assistant Foreman whose crews operate without regard to any central station boundary lines. The same can almost be said of maintenance operations, as only minor zone rearrangements would be necessary as it has not been the practice to have a zoneman working with more than one [fol. 2270] central station. There would be no need to increase the number of Plant people to accommodate a new central station.

The cost to establish a central station to accommodate the business which would be transferred to it from Los Angeles and to provide enough equipment to handle a reasonable amount of new business has been established at $18,938.00. This figure does not include any conversion of subscriber equipment as it has been deemed best to merely transfer the service from one office to another with any conversion to be considered at a later date and judgments made on an individual basis. Frankly there is little need for conversions as central station service is now being rendered these Valley subscribers.

The cost estimated to establish a central station covers equipment and labor only necessary for the office and not

for any requirement such as property, building or other possible service charges.

Sales Department:

We feel that the sales prospects are excellent in this, one of the fastest growing areas in the nation, and that a Central Station is definitely needed in order for our business to grow as it should. At present we do not issue Central Station Certificates; this has been a serious handicap to our sales efforts, and we have definitely lost accounts for this reason. With the new Central Station, we could plan to issue certificates in most of the area, if necessary.

It is intended to use two salesmen in the area, after the Central Station is completed. In order to properly cover the area saleswise, it will be necessary to have two salesmen located in the Central Station in order that they will not have to travel all the way into Los Angeles, because of the considerable time lost in traveling.

Establishment of this Central Station will discourage any of our competition from opening a central station in the area, as it is now likely that one or the other, seeing the business that is to be had, will soon open a central station there. Such a move by one of our competitors would be disastrous to us, as we would not be able to compete, service-wise, with them.

With a Central Station and two salesmen in this area, we will be able, each year, to increase our annual service charges by $30,000.00. Without the Central Station, and with a competitor moving into the area, we would do well to hold what we have.

J. K. Scott, District Sales Manager, L. Nelson, District Plant Supt., B. B. Jones, District Operating Supt.

BBJ:mc

[fol. 2271] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 161

NEW YORK CITY, N.Y.

December 2, 1958.

Mr. W. Hable
Memorandum

Proposed sub-divisions of existing Central Stations—New York District

The thought of sub-dividing the New York Twenty-third Street Central Station, by the establishment of another central station in the White Plains-Westchester County area, has recently been suggested.

However, in considering this suggestion and projecting the basic idea still further, it occurs that the reasoning motivating the original suggestion could as well be applied to the thought of sub-dividing the existing Newark, N.J. Central Station by the establishment of a central station in the New Brunswick, N.J. area or in the general vicinity of New Brunswick.

In certain respects, it would appear that the latter suggestion might offer generally similar but substantially more advantageous possibilities than the original suggestion.

There is a central belt extending across the waistline of New Jersey State lying within the 47 air mile distance separating the Newark and Trenton central stations that currently represents an area of very rapid industrial and mercantile expansion. All available evidence points to this area as having the potential for continued expansion at a very rapid pace. The area is traversed by the main line of the Pennsylvania Railroad, it is laced by State and Federal super-highways and offers every conceivable advantage to industry including ample transportation facilities and proximity to the New York markets. Unfortunately, a portion of this area is tantamount to a no-man's-land wherein we are unable to offer standard ADT Central Station connected services due to the distances involved and this restriction has seriously hampered the sale of our services.

A new central station in the vicinity of New Brunswick

would bridge the open area and the ADT Company would thus be in a position to solicit Central Station connected services in an area or belt some fifty miles in width extending between Newark and Trenton.

[fol. 2272] Additionally, there are secondary factors of quite some importance that would warrant serious consideration. The Newark, N.J. central station presently extends lines up to and somewhat beyond New Brunswick, up to a maximum of 25 air miles in that direction. This does not mean, however, that we provide standard central station service to all subscribers that are central station connected. We do not. Many of our subscribers have been forced to accept various forms of substitutes, such as "modified" service, special guard service, or a dual connection to a Police or Fire Headquarters.

While the majority concensus of opinion might not be prepared to recognize the hypothesis that the Newark Office is geographically over-extended, there is firm opinion in certain quarters that this office has overpassed the peak of efficiency and is now on the downward curve of performance with respect to service integrity, qualitative service rendition, guard response, economy and efficiency of plant operations including leased facility costs.

By the establishment of a central station in the New Brunswick (Telephone) exchange area, and by dividing our central station service areas as shown on the attached map, we could realize an estimated annual savings of $5,000.00 in leased facility costs based on the current volume of business.

The suggested line of demarcation separating the service areas of the Newark and proposed New Brunswick central stations, represents a natural geographic division that would allocate subscribers according to the attached McCulloh circuit listings, indicating that the revenues apportioned to the new central station should be more than adequate to permit a profitable operation. Present central station service annual revenue, including business under contract but not yet in service, is calculated to be $170,000, with local and direct connect service in the involved area estimated at $30,000. annual. Listing of local and direct connect subscribers is attached. In consideration of a proposal to establish a new central station, it is usual to con-

cede that competition represents an influence to be taken into account.

[fol. 2273] There are presently five organizations offering central station protection services from offices in or adjacent to Newark, ie, A.D.T.Company, Newark District Telegraph Company, Electro-Protective Corp., Apex Signal Service Company and Supreme Burglar Alarm Company. To put it mildly, the protection field in the Newark area is certainly crowded.

It is thought probable that through the force of economic stress alone, one or more of the above listed competitive organizations might elect to relocate to, or open an additional central station, in greener fields to the south.

It would indeed be regrettable if the A.D.T. Company, which has established such a firm foothold in the New Brunswick area, were to be leap-frogged by one of our competitors, who would then be in a much more advantageous position to reap a rich harvest of new business in this rapidly developing industrial area.

J. F. Burns, Dist. Plant Supt.

JFB:TMH

[fol. 2274] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 163

December 20, 1957.

Mr. A. E. Smith
Vice President

Sales Potential—Westchester County, New York

Mr. Friedli, in his memorandum to you of November 26, 1957, has presented a collection of data which may be helpful in a determination of the direction which a detailed survey of market potential in Westchester County, New York, might take. His figures are drawn from the 1956 summary of market activity prepared by "Sales Management", from our own Report of Operations for 1956, and from a record of our business in the county prepared recently at Mr. Gaston's direction and held in his file.

What Mr. Friedli has done is to select four operating areas where we presently operate central stations and where the market activity, as developed by "Sales Management", approximates that of Westchester County, similarly developed. These areas are Dallas, Texas, Seattle, Washington, Hartford, Connecticut, and Portland, Oregon. Columns 1-3, 5, and 7 of his chart captioned "Comparison of Potential" indicate quite clearly the position of Westchester as compared to the four test areas: Westchester, as respects total number of plants, total number of retail outlets, number of major plants, and total number of plants and outlets, is less attractive than Dallas and Seattle, and more attractive than Hartford and Portland. Westchester is higher than any one of the four in the number of "major retail outlets", probably because it comprehends a group of individual communities, each of which is relatively self-sufficient, with a resultant duplication of major retail outlets and an anticipated increase in the number thereof. Hartford shows an abnormally small total number of retail outlets, probably because the area covered, which includes East Hartford and New Britain, has had its marketing pattern concentrated in the city proper and because the expansion of post-war years has been on a closely-zoned residential basis in which new retail outlets have played a relatively small part.

The "Comparison Industrial & Mercantile Potential" tabulation shows the makeup of columns 1-3 and 5 of the "Comparison of Potential" tabulation. We do not think of the "minor plants" or "minor stores" as being first-class ADT potential. Industrially Westchester is heavy on "apparel", and light on "Lumber", particularly as compared to the east-coast cities. In mercantile activity it is high on "apparel".

[fol. 2275] The "Comparative National County Bank" tabulation confirms the propriety of choice of the four test areas; Westchester is centrally located within the range of the five areas as to population and total dollar retail sales, and while low on general merchandise sales, is high on apparel sales.

If it be granted that reasonably comparable areas should produce reasonably comparable operating results it is necessary to consider the results obtained in the four test areas,

a process which the "Operations Report" tabulation outlines broadly, using five-year (1952-1956) average figures.

It is at once apparent that on the basis of the bare figures presented we might anticipate from a central station operating in Westchester results similar to those experienced in Dallas, Seattle, Hartford, or Portland, Ore., where the net returns, expressed in terms of percentage of revenue, are, respectively, 11.6%, 11.3%, 25.9%, and 12.4%. I suppose we would welcome the opportunity to approximate the return experienced at Hartford but would be somewhat less eager to proceed in anticipation of the results experienced in the other three areas. A closer look at the net returns for the last five years lends emphasis to this situation.

	% Net Return					
	1952	1953	1954	1955	1956	5-year average
Dallas	17.0	18.3	10.8	11.8	2.0	11.6
Seattle	19.5	18.6	12.8	8.3	1.0	11.3
Hartford	26.8	28.9	25.0	23.5	26.2	25.9
Portland, Ore.	13.6	11.9	11.6	13.4	11.6	12.4

The immediate impulse is to say that the figures lack significance because of expense elements—overhead, depreciation, and sprinkler device costs, for example—which are beyond control and which unduly affect the Seattle statistics, or because of the competitive situation which unduly affects Dallas statistics. In an effort to allay the first suspicion we have prepared the following tabulation of expense variations at Hartford and Seattle during the years 1952–1956:

[fol. 2276]

	% Increase 1952–1956			
	Seattle		Hartford	
Total expense	63%		61%	
Commercial expense	54%	45%	100%	35%
Operating expense	40%		22%	
Plant expense	32%		33%	
Other expense	101%		125%	
* Overhead	16%		34%	
* Misc. taxes	143%		116%	
* Depreciation	100%		117%	

* Elements already present in "other expense."

It will be obvious that the variations in total expenses, as between the two cities, is at approximately the same rate, that the controllable elements have increased more rapidly at Seattle than at Hartford, and that the "out-of-control"

items have increased more rapidly at Hartford than at Seattle. What we have, then, is not a net return which is comparatively low because expenses—at Seattle—have increased with disproportionate rapidity, but rather a failure of revenue to keep pace with increasing expense. This is illustrated by the following tabulations:

% Increase of Annual Service Charges **

	1952–3	1953–4	1954–5	1955–6	Average
Dallas	5.9	5.0	8.2	3.4	5.5
Seattle	3.8	8.4	12.8	6.4	7.8
Hartford	9.4	9.0	15.1	12.2	11.4
Portland, Oregon	6.0	10.2	11.5	4.6	8.1

** As a percentage of annual service charges in earlier year.

% Increase of Total Revenues *

	1952–3	1953–4	1954–5	1955–6	Average
Dallas	21.5	5.5	8.8	7.7	7.8
Seattle	7.8	2.9	11.2	7.7	7.4
Hartford	9.6	8.3	17.9	14.2	12.5
Portland, Oregon	4.5	12.3	13.3	7.6	9.4

* As a percentage of total revenue in earlier year.

[fol. 2277] The two preceding tabulations at least suggest that when we fail to increase our annual service charges at least 10% in a year, or when our increase in total revenue is less than 10% in any year, we are heading, if not for trouble, at least for unsatisfactory operating results.

We don't know why results are good in Hartford and poorer in the other three cities, but some hint may be derived from the following:

	Average Increase Revenue 1953–6	Average Commercial Expense 1953–6	Cost/$ of Increased Revenue
Dallas	17,384	24,205	1.40
Seattle	33,996	46,271	1.36
Hartford	28,503	18,142	.64
Portland, Oregon	27,352	31,386	1.15

A dollar of additional revenue in Dallas and Seattle costs us about twice as much to obtain as it does in Hartford and only slightly less than twice as much in Portland.

As respects Dallas it is probably broadly correct to say that we suffer from our recent difficulties in that city, that we have tough competition and that a two-man sales force is necessary there for these reasons alone, since we are not prepared to abandon the area to Smith. But none of these

reasons obtain in Seattle and there we maintain a three-man force to which must be added whatever effort Mr. Dahl expends directly in connection with local sales; with a sales force no more than a quarter as large, and less than 40% as expensive, we do better than 80% of the Seattle business volume at Hartford. At Portland, where the sales force is more than twice as large as at Hartford, and almost twice as expensive, we do less business than we do at Hartford.

The point of the foregoing is to suggest that in some cities, despite an appearance of similarity, there is present at least one factor which is not universally present elsewhere and which prevents realization of our sales purposes and produces inevitably unsatisfactory operation results. This factor I take to be the degree of market saturation and I think the danger point is signaled when the sales cost in any year equals or exceeds the growth of total revenue in that year. At the present, and for cities in the potential class under consideration, this saturation point seems to be at an annual gross revenue point of about $350,000.; it will, of course, vary with the potential, with sales performance, and with sales expense. The Seattle return, in the past five years, has moved from 19.5% to 1.0%, and is, of course, improved not at all by the spending $1.36 for each dollar of additional revenue; at Dallas the retrogression has been from [fol. 2278] 17.0% to 2.0%, and here the situation is admittedly special; at Portland the change has been slight, from 13.6% to 11.6%, but Portland is overstaffed, I suspect, for the potential, and produces more expense than profit. Hartford, modestly staffed, is still well below the saturation point and does excellently.

If there is any validity to the foregoing I should expect that we might foresee in Westchester an office which would provide us with a satisfactory return on an ultimate volume of between $300,000. and $350,000. We presently have roughly $90,000. annual in the county and would probably require about $135,000. a year to do a break-even job. We should be able, with a competent full-time salesman, to reach the break-even point in five years. Thereafter another fifteen years should see us approaching the present saturation level.

The competitive situation in Westchester will perhaps suggest the need of modifying the optimism of the preceding paragraph. In the fire services we have no Westchester competition but on the burglar alarm side there is a highly successful local alarm group, which has been able to take national account customers from us: the entry of Holmes into a central station operation in the county will further decrease our available potential. Holmes expects to get 100 subscribers in three years, once it starts, and although its solicitation will be directed to retail outlets it will probably get some industrial business, if only from branches of subscribers it already serves in the southern counties.

Mr. Bodley seemed to agree with me that our solicitations in Westchester, presently divided on a 1-man basis between two men selling more important territories elsewhere, had been more or less casual, and that the business we have has come to us rather than been sought out; of the $90,000. at least half is clearly identifiable with executive accounts or with subscribers elsewhere and the gross, while large for an unsolicited area, is the result of our being ready to serve for at least 25 years. I should expect a good salesman to do much better.

J. J. Stephens, Director of Diversification & Expansion

JJS:hm

[fol. 2279] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 164

CHARLOTTE, NORTH CAROLINA

July 6, 1960.

Mr. E. Gaston
President

I asked Mr. Kobelt to prepare a statement showing the total revenue that would be credited to Charlotte as a central station. This is attached as information, and it shows Charlotte would be in the black if these additional jobs are serviced from Charlotte as at present. As I understand it,

our taxes would be reduced proportionately in these other cities if Charlotte became a central station. I make no pretext, however, on our accounting procedures.

There are two reasons in my opinion why we should go ahead with Charlotte. The first is the potential of $250,000 available to us in the Charlotte area for central station and local service. Charlotte is one of the richest industrial areas in the South, extending from northern North Carolina through a section of western South Carolina to the Georgia border. We estimate an additional $100,000 in revenue can be obtained in the Charlotte area in the next five years if we have a central station. In order to effectively combat competition in Charlotte, it is felt a central station is necessary.

With the establishing of a central station we would convert all our present subscribers, and it is estimated the revenue could be increased 10 to 15 per cent. Our people feel the only way to expand and get the maximum of present and future business in Charlotte is through the medium of a central station. The Charlotte area supports a branch office of the Grinnell Company even though they have one in Atlanta. Charlotte is a growing city; and if we are to go ahead with the area in the future, we will need a central station.

The second reason for considering Charlotte as a central station is the present position taken by the city authorities with respect to our present and future operations. Copies of their letters of January 8 and May 17, 1960, are attached. [fol. 2280] The cold facts in this case, as related to me, are that the city authorities have decided to eliminate all direct-connected fire and police alarms at the earliest possible date. They have already indicated their reluctance to connect any more systems, and official notice will leave us no alternative to establishing a central station if we are to retain our business in Charlotte. They are demanding 5% of our revenue immediately to permit us to continue in business. This tax is only for an interim period to give us a reasonable time to establish a central station.

The city police department is presently giving us service on 39 burglar alarms and the fire department on 33 fire alarm subscribers. They are complaining strongly of the use of their people assisting us on inspections and of the responsibility they are assuming for the service on so many

systems. The situation is not unlike the case in Wilmington where I was personally told to discontinue our connections and start a central station. The city feels they have gone a long way with a private concern to enable us to build up revenue to a point where the service required is just too much for their facilities and personnel.

Two lengthy conferences have been held with the City Manager and other discussions with the fire and police departments. All meetings have been pleasant, and the city officials expressed a willingness to give us a reasonable time to get started; but from all the facts related to me, I suspect we have about reached the end of the line in Charlotte until we establish our own central station. I don't believe we can temporize further with these people, and will have to give them an answer indicating our future intentions. They have the necessary authority to take precipitate action if necessary to force our hand, but this would only be building bad public relations and leave a sore spot with them which we should certainly avoid.

We have more direct-connected service in Charlotte than we had in San Diego or Wilmington when they forced us out by direct orders. It is hoped that we can retain our good relations in this town and not force them to issue a direct order to us to discontinue our connections to fire and police departments.

I have visited the city only twice, and my thinking on the subject is based on reports and information as related to me by Messrs. Bodley, Betscher and Allen who have been in close contact with the city authorities.

[fol. 2281] My recommendation is that we tell them we plan to open a central station some time in 1961—also take prompt action to pay them the 5% tax or levy on present business as an interim charge only until we open our own central station. They have been patient with us and written two letters on the subject which we have only acknowledged receipt. The subject has been under discussion since the first of this year, and we are told they want an answer to their request.

There is a telephone answering service in Charlotte that seems to be a good organization and a going concern. Perhaps we might be interested in the purchase of this service and combine it with our central station operation. They

operate some supervisory service only for us covering 10 customers who pay us $5,641 a year. No survey has been made of practicability of combining our service with them somewhat along the format at Utica. We have so much more service at Charlotte, however, that it might be worth considering the purchase of telephone answering service.

——— ———, Vice President, [A. E. Smith], Stipulation No. 1

[fol. 2282] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 167

July 12, 1956.

Mr. C. G. Eicker
Controller

Rate Development

The studies which accompanied your report of June 29 are most informative. Preliminarily they invoke these observations:

(a) That, as expressed in Exhibit A1, net income before taxes for the next three years will be lower than in 1956 by reason of the accelerated effect of depreciation allowances computed on the sum of the digits basis. Mr. Gaston and I will have need to keep this in mind in our dealings with the Board of Directors. Given only that there is no reduction in the Federal income tax rate, the same result will appear in the projection of net income after taxes.

(b) A sharing of your conclusion that, for the year 1957 at least, we seem inevitably committed to a further round of wage increases.

A reasoned perspective of the national economic trend would indicate that we will be lucky if we can properly compose our 1957 personnel relations without upward wage adjustments which will induce an additional outlay of at least one million dollars annually. We have need for a conversion of your five year earnings projection to a five year cash projection and I would appreciate your early submis-

sion of this. From what I can judge of the five year cash projection you made a year ago, however, it seems clear that an added outlay of one million dollars annually would, for the year 1957, leave us in the position of having receipts barely equal to the cost of operation plus essential outlays for capital equipment. Provision would be wholly lacking for the expenditures with which we are faced, in increasing measure, for expansion of the business, to say nothing of the creeping necessity for increased replacements of central stations and other items of equipment.

The conclusion seems inescapable that there is need for us to increase rates effective January 1, 1957, probably in something of the order of the 6.7% increase indicated by your studies though probably the precise percentage can await either projection of your five year cash results or more definitive estimate of 1957 results. And this conclusion seems proper despite general knowledge of the fact that service charges appear high, presently, as compared to those charged by competitors. To increase prices in amounts considered no more than necessary to enable us to keep pace with the depreciating value of the dollar will not change the relativity between our rates and those of our competitors, since they too will be under necessity to adjust their finances in consonance with the economic trend.

You have suggested the possibility that we might refrain from attempting to recover from current revenues the added annual costs of accelerated depreciation. This change in bookkeeping procedure must, I think, be left entirely out of the reckoning. The conclusion as to the necessity to raise rates by the immutable increase in cash outgo as compared to cash intake, above expressed, remains unchanged regardless of the selected method of accruing depreciation. It is altogether a question of whether we are to operate the business on the shoestring basis of having receipts barely offset disbursements or whether to take the prudent measures that will provide the cash so utterly essential to allow a margin for error in our prognostications, for ordinary emergencies that inevitably arise and for business expansion. Without presuming to minimize [fol. 2283] the necessity to continue to watch competitive prices, closely, I do not believe that we have yet reached a point where we should allow the competitive situation to

completely govern the company's fiscal policy. The continued necessity for specific price concessions necessary to effectually cope with competition when it is encountered, is one of the eventualities against which our overall price structure must be geared.

Following your suggestion, we will consider in the future, as we have in the past, the advisability of converting sub standard central stations to direct-connected operations. The precise specifications of such considerations, I feel, we can safely leave to Mr. Stephens in his capacity as Director of Diversification & Expansion.

For the reasons above elaborated on above, I think that we would be well advised to avoid the temporizing measures suggested in items 4 and 5 of your conclusions as leading to a point of diminishing return.

Thoughts advanced under item 6 of your conclusive observations seem well worthy of the considerations of our department heads and, possibly, are something that might be made the subject of an early management meeting. We shall have to give this something more of a specification, however. There are many possible approaches. Up to now, ADT has prided itself on supplying, everywhere, a superior quality of service. We have earned the reputation of being the Cadillac of the industry. Whether there is room for us to also sell Fords, under what circumstances, in what territorial area and how, will take some more definition. Among the areas worth exploration lie possible specifications for supplying various grades of service, particularly burglar alarm service, local alarm service, patrol service both adjacent to and remote from central station areas and the like. Before going any further with these considerations will you please get together with Mr. Smith, Mr. O'Brien and their staffs and report in further detail just what practical approaches might be more fully explored. Messrs. Hable, Lindsay and Rustic also should be asked to lend their best thinking to the subject.

While we have heretofore attempted, in minor scale, the "crash" sales tactics suggested under point 7 of your observations, I think Mr. Smith's counsel would be broadly against it, not alone as something which is of one-time effect and gradually and naturally loses momentum, but as some-

thing difficult to control and supervise from a sales standpoint.

The need for embarking on an economy program covered in your final observation is ever with us. The thoughts of all our department heads will be earnestly solicited in this respect. As a means of doing this, I suggest you send each of them a copy of your study and of this response. There is much in your study, particularly in the matter of the manner in which certain departmental payroll expenditures appear to have outstripped revenue growth, that will affect and concern the department heads involved.

J. A. MacDonald, First Vice President.

MRH

CC : Mr. E. Gaston

[fol. 2284] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 168

Rate Adjustment 1959

Sales discussion 11/6/59.

Present: L. J. O'Brien, R. Brechbill, T. Young, C. Eicker, J. A. MacDonald.

Following statement by MacDonald that based on recommendations of our department heads and on observation of the results of wage rate studies in which we have participated, an upward adjustment in the wages of all employees was contemplated effective 1/1/60. In consequence, it was stated that there seemed clear need to increase prices.

Mr. O'Brien was most vehement in opposition to any price increase, claiming that we were in great danger of pricing ourselves out of the market. He referred particularly to the situation in St. Louis where he said we rarely secured any SS & WF contracts in competition with Potter. He spoke also of the rough competition encountered from Potter at Cincinnati following Potter's acquisition of Walnut Hills D.T. Co. Averred Potter's prices, indeed those of

many of our competitors were from 50% to 60% of our own.

Mr. O'Brien, indicating that we were meeting competition on a price basis, nevertheless expressed grave concern over the situation that resulted when we quoted a National Account subscriber for service at full minimum basic charges and charged a lesser price to a smaller local subscriber taking advantage of a highly competitive individual solicitation.

I told Mr. O'Brien that in the matter of meeting competition and in explaining price disparities to National Account subscribers we relied as we always have on the good selling abilities and judgments of our sales people. I reminded Mr. O'Brien that our figures indicated current sales averaged 95% of M.B. annual service charges and about 80% M.B. advance service charges which expressed the extent of the overall competition encountered. I expressed full sympathy to sales for the increasing severity of competition and full appreciation for the manner in which it had been met.

I reminded him that we were inclined sometimes to remember all the bad deals that inevitably come to attention and tend to forget the preponderance of good deals that make up the bulk of the business. As many times in the past, I reminded our sales people that ADT possesses no magic dollar—that if wages go up, prices must inevitably follow. Mr. O'Brien I think remained unconvinced. He remarked that he knew nothing about the expense elements of the business and hence could not discuss them but he left the clear impression that he thought much could be done to reduce these.

I said I believed operating, plant and sales expenses were frugal. That we spent no more than prudently necessary for manufacturing and engineering which left only the supervisory overheads out of which to meet the reducing profit gap. That the alternative to a price increase at this time was reduction in rate of return on capital invested and that any reduction we were likely to concede would not afford sales any appreciable improvement in the competitive situation. I expressed the belief that the way to meet competition did not lie in reducing prices or practices to the level of competitors, but rather in representation of service superiority. I reminded Mr. O'Brien that Holmes

E.P. Co. had operated successfully in Philadelphia for 20 years against the Owl Company whose rates were only one-half those of Holmes.

[fol. 2285] Mr. Brechbill introduced the idea of area rates the better to meet competition. He was told that we had always avoided anything other than system rates because of dangers of anti-trust involvements.

Mr. O'Brien again strongly argued against price increase on the ground that sales morale would suffer badly and he spoke on the theme of the struggle it had been to maintain sales morale in the face of strengthening competition. There was considerable talk of the impossibility of doing business competitively with a price spread ranging from 50/60% to 100% but it was represented, on the other side, that not all sales were competitive either for ADT or the competitor, and that no competitor could undersell ADT by 40/50% and stay long in business.

Mr. O'Brien expressed the feeling that rate making and price fixing should be a continuing operation and not merely a two hour, once a year affair. In this respect our rates are the product of 50 years of experience and of day-to-day continuous efforts to achieve economies in manufacture, installation and service. The ratio of operating department expense to revenue is lower now than it was in 1922. It is beyond the ability of the company to prevent increases in expenditure such as for taxes other than Federal income taxes, for social security payments, for leased wire facilities all of which climb upwards with the growth of the business and the overall inflationary pressure. The discussion touched briefly on the accelerated rate of depreciation allowances taken since 1954. Allowances taken in 1959 will approximate $8,063,000 which under the old straight line depreciation method would have amounted to about $6,340,-000. The difference of $1,723,000 serves to depress net earnings after taxes about $860,000 a year or about 1.7% of gross revenue not sufficient to have any material effect on sales prices but enough to cost about $430,000 a year additional in Federal taxes.

J. A. MacDonald, November 10, 1959.

MRH

[fol. 2286] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 169

Copies: Mr. E. Gaston, President
Mr. L. J. O'Brient, General Sales Manager
Mr. C. G. Eicker, Controller

December 22, 1959.

Mr. A. E. Smith
Vice President

Minimum Basic Annual Service Charges

In recent months I have spent very considerable time in review of the 1960 requests for budget appropriations submitted by our several department heads. All apparent extravagances or unnecessary expenditures, including the sum of $92,972 from the sales figure, have been squeezed out of the appropriations, to the point where I am satisfied that we are assured of a frugal operation.

The mounting pressure of increased area wage rates, everywhere, the increased payrolls necessitated by an anticipated increase in net new business together with a stern need to extend to field forces certain of the improvements in wages and working conditions collectively bargained for in the New York Metropolitan area, have brought about increases in departmental expenditures, principally for salaries and wages, as follows:

Department	Increased 1960 Expenditures
Operating	$1,042,006
Plant	414,791
Sales	349,742
Administrative	56,585
Executive	20,199
	$1,883,323

The grand total of increased expenses which, one way or another, we must strive to bring back to the business amounts to $3,296,000, among the other remaining items of expense increase being depreciation of plant and equipment $714,500, leased wire facilities $300,000 and social security taxes $160,000.

As against this $3,296,000 expense increase, revenues projected upon Sales Department production estimates for 1960, submitted under date of September 10, 1959, produced increased revenue accruals of $2,609,766 or $686,000 short of the sum required to reimburse us for bare additional [fol. 3287] outlays which reimbursement, it is clear, will not sustain the 1959 operating ratio.

New annual service charges estimated to be procured during 1960 amount to $5,400,000 and annual service charges under contracts scheduled for renewal in 1960 amount to $6,900,000, these annual service charges totalling $12,300,000. It is estimated by the Controller that if all such charges were increased by 10%, the additional proceeds to the company during the year 1960 would amount to $615,000, having regard to the varying periods of time, during the year, revenue accruals under contracts written or renewed progressively throughout the year will be available to the company. The economics of the situation, thus, clearly appear to call for a 10% upward rate adjustment if we are not to slide backwards in our historic operating ratios nor diminish the rate of return on capital investment.

Acknowledged, in this connection, is discussion that ensued on November 6, 1959 between Messrs. O'Brien, Brechbill, Young, Eicker and myself, in your absence from the office. On this occasion, Mr. O'Brien was vehemently in opposition to any price increase, calling attention to the increasing severity of competition and the danger of pricing ourselves out of the market. In the course of the November 6 discussion, however, nothing was represented that has not been in the picture for the last 15 years and nothing advanced which would serve to bridge the projected gap between increased income and increased outgo for the calendar year 1960.

In the six weeks that have elapsed since that discussion, Mr. Eicker has worked with you and with others of the Sales Department in explorations of any means by which the desired increased revenue could be derived other than by means of across the board adjustments to existing rates.

One of the proposals advanced by the Sales Department, in which you evinced considerable interest, was for reducing rates on small burglar alarm jobs, say below 10 units of equipment and increasing the rates on larger installations,

especially those of 26 units and over. The attraction disappeared, I understand, upon the Controller's representation that, under this proposal, the rates for burglar alarm installations of 26 units and up would have to be increased approximately 20% which, when added to the existing approximately 30% increase would mean that the salesmen would be obliged to secure a 50% increase in all burglar alarm contracts of 26 units and over, which does not appear to be practically possible.

A similar conclusion was expressed by Mr. Stephens in writing to you on December 1, 1959.

Explored, also, was the possibility of restoring the differ- [fol. 2288] entiation that formerly existed between the waterflow and SS & WF rates, even to the point of giving independent weight to the principal elements of the system such as alarm valves on risers and sources of supply rather than our present practice of considering the waterflow elements and the supervisory elements as of equal importance and carrying the same rate. Much of this, would be a reversion to rates formerly in force which were changed, as I recall it at the recommendation of the Sales Department.

In any event, one thing is quite clear. We just do not have the time to work out complicated rate modifications that might have very considerable and deleterious impact on the finances of the company in time to put our financial house in order for the fiscal year 1960. It is not that we are not perfectly agreeable to make different approaches to the problem of rate-making, but simply recognition that our existing rates, which are the product of 50 years of experience and of day to day continuous efforts to achieve economies in manufacturing, installation and service, cannot have been too bad for the business, too far away from what is needed in the business, and not subject to experiment in any drastic sort of way, without some well controlled sampling on an individual town basis. The Controller, I know, will be completely agreeable to working with you and your people in any sort of rate modification that we all may ultimately feel to be desirable and practical, after the first of the year.

In the meantime, I see no satisfactory alternative to a 10% price increase, across the board which is expressed in the appended schedule of minimum basic annual service charges to be effectively January 1, 1960. I suggest that

this circular be distributed to your headquarters officials and staffs and to district sales managers and representatives, accompanied by the next supplement to Commercial Circular No. 197, which may be patterned somewhat after the attached draft or, of course, changed in any manner to suit your own best purpose.

First Vice Presindent, [J. A. MacDonald], Stip. No.1.

CCs: Mr. Gaston, Mr. L. J. O'Brien, Mr. C. G. Eicker.

[fol. 2289] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 170

NEW YORK, July 11, 1956.

Mr. J. A. MacDonald,
First Vice President

Rate Development

The rate development study submitted by Mr. Eicker under date of June 29 is an important analysis of our situation. I would suggest that copies be placed in the hands of our line department heads. Such factors as the purchase of General Alarm and Beverly Hills services might upset a strict mathematical approach but I assume these factors have been or will be given appropriate consideration and weight.

Your proposed letter to Mr. Eicker is in order and I see nothing in it that need be modified. I agree that the projection should contemplate the probability of a wage increase and a subsequent rate increase, as you suggest.

I concur in your thought that we have not yet reached the point where we should allow the competitive situation to completely govern our fiscal policy. It is quite proper for our people, particularly our Sales people, to be concerned about competition but we are still doing a considerable amount of business and Exhibit "M" seems to suggest that competition is not hurting too badly in the competitive cities.

My letter respecting the possibility of discontinuing ser-

vice at Sioux Falls expresses my view respecting deficit offices in general and is even more appliable where the offices are in the black but producing minimum returns.

In his comments on Exhibit "F", Mr. Eicker repeats last year's statement that improvement in the Operating Department is entirely due to further utilization of standby time in the small and medium size offices. It may also reflect actual economies due to improved burglar alarm performance and reduction in absenteeism, vacant positions, etc.

Comments respecting Exhibit "B" are worthy of study [fol. 2290] by the department heads as is the suggestion that we consider an economy program. While economy should be a constant consideration, more than that may be indicated. Possibly some of the things we would want to continue doing may be getting beyond our financial reach. It is the responsibility of all Company executives to guard against imprudence and improvidence in such matters.

Another factor that may deserve consideration and possibly detailed study is suggested by comments respecting Exhibit "I". The extent to which our rates are substandard generally or with respect of any particular city, may have a considerable effect upon the profit factor. I recognize that there are numerous reasons why rates are not standard but it probably is still a fact that we do not know to what extent they are over or under standard. Until we know that, it is doubtful that we can do anything effective about changing the situation.

E. Gaston, President.

MT

[fol. 2291] In the United States District Court

Government Exhibit No. 171

Holmes Electric Protective Company of Philadelphia

Proposed 1957 Electric Protective Service Rate Revision

Attached hereto is a revised schedule of electric protective service rates proposed to be effective for all new contracts taken as of March 1, 1957, and for all existing cus-

tomers beginning May 1, 1957 and thereafter as contracts expire. With the following exceptions designed to produce additional revenues thought necessary in view of the large volume of additional expense assumed under the recent 3-year union contract, these new rates are identical with those adopted as of November 1, 1956 for all new business:

(a) An additional $2.00 per month in the 1st line rate for Mercantile Premises, Mercantile Premises and Safe, Mercantile Safe, and Residence Services, making this rate $27.00 compared with the present rate of $23.00 for existing customers and the November 1, 1956 rate of $25.00 for new business.

(b) An increase of $2.00 per month in the individual line rate for Mercantile and Financial Institution C.S.F.A. Services, bringing this rate up to $20.00.

(c) Increasing the rate for the first two Transmitter instruments from $25.00 to $30.00 each, and the 3rd and additional instruments from $20.00 to $22.50 each.

The foregoing changes are calculated to produce an additional gross annual yield of nearly $40,000, and, on that basis, the salient facts of the proposed revision as it affects existing business only are as follows:

Total number of customer contracts to be revised over 3-year period 5-1-57—4-30-60	1,379
Estimated gross annual yield of regrade at existing volume of business	$123,744
Estimated average increase per contract per month	$7.48
Estimated net annual yield after allowance for losses at 3.0% of December 1956 revenue base	$99,744
Net additional revenue estimated to accrue:	
within year 1957	$19,500
within year 1958	$55,554
within years 1959–1960	$24,690
[fol. 2292]	
Estimated number of customer contracts to be revised	
in 1957	687
in 1958	477
within 20-month period to 12-31-58	1,164
% of total contracts to be revised within 20-month period	84.3%

It will be repeated that the above additional estimated revenue yields are based on the existing volume

of business only, with allowance at the rate of 3.0 per cent of current revenues for losses due to customer refusals to accept the higher charges. Whether these forecasts will prove to be unduly optimistic under the impact of poor business conditions or competitive activity, or pessimistic, as could be the case if general business activity is maintained at a high level, only time will tell. Assuming that the estimates prove reasonably sound, however, comparisons of the additional revenues expected to accrue from the regrade with the additional labor and estimated supervisory salary costs under the new union contract are of interest. With a revenue increase of $19,500 estimated on a net basis in 1957, and an additional $55,600 in 1958, the revenue, expense and gross income picture should be expected to develop, on a *cumulative* basis over those two years, about as follows:

	Net Cumulative Add'l. Revenue	Cumulative Add'l. Expense	Gross Income Compared with 1956	Gross Income 1958 vs. 1957
Year 1957	$19,500	$34,600	−$15,100	
Year 1958	75,100	55,500	+ 19,600	+$34,700
2-Year Total	$94,600	$90,100	+$ 4,500	

Note that for the two years in total, gross income before taxes would be estimated to rise from the present or the 1956 (unadjusted) base by only $4,500, but wide variation would appear between the years 1957 and 1958. Going one step farther, and assuming the continuation of an overall 75 per cent tax rate, net income as compared with that of the year 1956 would be:

[fol. 2293]

Year 1956 (unadjusted)	$45,500 (approx.)
Year 1957	41,700
Year 1958	50,400

In reading these figures it must be remembered that they take into account only the two factors of the revenue increases to result from the regrade and the additional expenses arising out of the new union contract, and that the total revenue and expense additions set forth above are on a cumulative basis over the two years illustrated. Note also that the regrade is estimated to be only 84 per cent completed at the end of the year 1958, and that there should be a substantial volume of additional revenue still to appear

in 1959-1960 to offset the wage increases scheduled for January 1959.

Effect On Large Mercantile Customers

On a gross annual basis, the regrade when completed is expected to result in an overall increase in revenue of 15.4 per cent, while a study of the Company's 27 largest mercantile customers, each having 6 or more lines and with an aggregate total of 235 lines, also shows for the group an average increase of exactly 15.4 per cent, with individual increases among the group ranging from a minimum of 11.6 per cent for Baker Clothes with 6 lines to a maximum of 19.4 per cent for the Tryon Company with 8 lines. Since the 1-line mercantile customer without additional units or location charge would be increased by 17.3 per cent, this would indicate a reasonably even balance of increases as between large and small subscribers. There are, however, a number of cases where the 1953 regrade date has not yet been reached, and where, by reason of this "double-header" effect, considerably higher increases will be developed when the revisions come due. It is obvious that particular care must therefore be taken in handling and explaining on a special and individual basis each such case as it arises.

[fol. 2294] Effect on Bank Customers

Increases for Financial Institutions under the proposed new rate schedules would average as a whole to 14.6 per cent, and for the five largest bank customers would be as follows:

Bank	No. of Branches	Present Mo. Rate	Proposed Mo. Rate	Amount of Increase per Month	% Increase over Present Rate
First Pennsylvania Company	29	$3,844	$ 4,269	$ 425	11.1%
Western Savings Fund Society	12	1,690	1,875	185	10.9
Philadelphia Savings Fund Society	12	1,550	1,716	166	10.7
Central-Penn	12	1,333	1,491	158	11.9
Fidelity Philadelphia	10	1,306	1,451	145	11.1
Total	75	$9,723	$10,802	$1,079	11.1%

A maximum of care and personal attention must, of course, be devoted to a proper presentation of the facts and necessities of our rate increase program to our Financial Institution customers, and in particular to those banks operating extensive chains of branch offices. In respect to the latter, it would also seem desirable to acquaint the banks in advance with the facts of the regrade situation as it affects them in total, rather than having the information given to them piecemeal as the individual branch renewal dates develop. Since our banking customers in general represent the very heart of our business, both from their stability and from the prestige inherent in serving them, every effort must be made to effect the rate increases without impairment of the cordial relationships with them which have been gradually developed over a long period.

Conclusion

While all of the estimated yields of the increase program as presented in the foregoing are based on the general assumption of the continuation of business volume at current levels, it follows that in so far as general economic [fol. 2295] conditions are concerned, a severe depression, or even any marked recession, would interpose substantial if not impossible obstacles to the completion of the revision program. Some measure of reassurance as to these hazards may be had from noting that the most critical period would be during the first 19 months from May 1st, since it is estimated that by December 1, 1958 more than 84 per cent of our total existing customer list will have been "regraded." There is also the added advantage of knowing what, in the absence of a runaway or uncontrolled inflation, our union labor costs will be during the next three years.

But, in any event, and no matter what impetus in the way of additional price advantage may be afforded to competitors as a result of the higher Holmes rate schedules, the facts remain that additional revenues in substantial amount are urgently required to offset not only current costs but also scheduled future expense increases. I therefore recommend approval of the new electric protective service rate schedules presented herewith to be effective

March 1, 1957 for all new contracts, and as of May 1, 1957 and thereafter for all existing customers.

——, ——, President.

HCW:HF

2-18-57

* * * * * * *

[fol. 2296] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 172

HOLMES ELECTRIC PROTECTIVE COMPANY OF PHILADELPHIA

Revision of Electric Protective Service Rates Proposed for Adoption for Mercantile and Residence Services May 1, 1953 and for Financial Institution Service June 1, 1953

During recent years, much of the industrial and business development in Philadelphia has been in the northern and northeastern sections of the city and, consistent with this trend, a substantial portion of the new business acquired by the Company has been developed in these areas. There is every indication that such growth away from the older centers adjacent to the downtown central office at 11th & Sansom Streets will continue in the future. At present, however, efforts to sell many potential users of central office electric protection in such sections of the city are handicapped by the high extra-mileage charges which must be paid by the customer in order to defray the cost of the long lease circuits extending back to the Sansom Street office. Under such conditions further difficulty is encountered from the fact that as the distance between customer and central office increases the efficiency of the service suffers as the elapsed time of the guards in answering alarms lengthens. From the point of view of both the customer and the Company, the service under such circumstances becomes, in short, increasingly unsatisfactory and expensive.

From these considerations, and also to provide necessary additional switchboard capacity for relief of the downtown office, a new central office with an ultimate capacity of 1,500 lines is now in process of construction at 556-558 Rising Sun Avenue, Philadelphia, and is scheduled to be cut into service on or about July 1, 1953. The new office will be started off with a total of approximately 215 direct line and 135 transmitter alarm circuits, representing about fifteen per cent of the Company's total volume of business. As growth subsequently develops in either or both of the office areas, a maximum of flexibility as to switchboard capacity will be available by adjustment of territories between the two.

Mr. Webb:

— your inf. & for presentation to our Bd. meeting of 3/13—HCW, 2/28.

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[2296a] With the minimum mercantile premises base rate being increased from $20.00 to $23.00 per month as proposed, and with a vigorous competitive organization offering what purports to be equivalent service for $17.00 or $18.00, this situation needs no elaboration.

On the basis of the above, it has been assumed that 20 existing customers, or about 1.5 per cent of the total, will be lost during the course of the regrade by reason of refusal to pay the new rates. Losses of this volume would entail a total reduction of about $7200.00 per year in revenue and would thus reduce the estimated ultimate annual yield of the program to about $67,000. While such a loss estimate may seem optimistically low, it should be gauged against actual losses of only about 1.0 per cent during the 1949 regrade in Philadelphia and of 0.5 per cent in the 1950 program in New York.

• • • • • • •

[fol. 2296b] All of the foregoing estimates are, of course, predicated on the assumption that general business conditions will continue during the next three years at or better than present levels, that any changes in the tax picture will be for the better, and that losses in competition

or otherwise resulting from the higher rates may be held within the estimated limit of 1.5 per cent of the present customer list. As some further means of restraining competitive rates on a price basis, and as a possible hedge against a business recession in the immediate years ahead, it is also proposed in carrying out the regrade to extend contracts by rider or supplemental agreement for a further period of three years, followed by the usual automatic year-to-year basis, as heretofore. In view of all existing circumstances, this practice would seem to be a worth-while precaution, but, if justified by experience as the program progresses, such policy could be changed at any time by reverting to the 1-year form of extension so as to prevent freezing of the new rates for existing customers for a full 3-year period in the future.

H. C. Ward, President.

HCW:HF

2-25-53

* * * * * * *

[fol. 2297] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 173

Memorandum for File

Projected Cash Resources and their Application Five Year Period Ending 12/31/63

The following are the first thoughts that occur in review of the above projections recently completed under Mr. Eicker's direction. The projections contemplate the following assumptions:

In overall pattern, the study contemplates no increases in rates over the next five years, except from those resulting from price increases effective January 1, 1957 and previously, while continuing an upward trend in all items of expenditures, consistently with the experience of the last few years.

Revenue accruals contemplate a five percent annual increase in sales volume as the result of continued added sales forces and vigorous prosecution. Gross volume of new sales contemplated in 1959, $5,468,000 and in 1963, $6,646,000. In consideration of an increase in the gross national product and estimated force increases, this result is theoretically possible, but represents a pretty husky accomplishment. Discontinuances were estimated each year as equal to 66-⅔% of new annual service charges based upon current experience. Advance service charges were projected equal to new annual service charges written which likewise is in accordance with current experience. Outright sales were estimated in quite moderate volume.

Each item of expense for the years 1959 through 1963 showed roughly the same percentage increase each year over the last which 1958 showed over 1957. Thus, allowance is made for wage increases of about 10¢ an hour, plus force increses necessary to accommodate the increased volume of business secured. The charge for engineering development does not include $112,500 spent in 1958 for our automation study and includes nothing further for special automation engineering. Depreciation expense was computed on a basis which assumes an independent estimate of new additions and plant dismantlements based on past and growing experience and should be reasonably accurate.

All in all and placing principal reliance on the accuracy of the clerical work, I am satisfied that based on the stated assumptions, which present a not unreasonable projection of probable expectation for the next 5 years, the statement of net earnings after taxes and its conversion to cash resources available for dividends, (Exh. 1) is sufficiently reliable for us on which to base appropriate adjustments of cash and operating ratios.

Operating ratios increased from an expectant 83.5% in 1958 to 95.1% in 1963. The actual decline in net earnings after taxes ranges downwards from $4,141,000 in 1958 to $1,512,000 in 1963. Cash resources available for dividends are projected to drop from $1,985,000 in 1958 to a deficit of $3,461,000 in 1963, and the net increase in cash resources, after allowing for dividends paid annually in the sum of $977,000 declined from $1,008,000 in 1958 to a deficit of

$4,438,000 in 1963. Cumulative deficits in cash resources, after the payment of annual dividends as aforesaid total $8,939,000, provision for the recovery of which is the aim of our current considerations.

[fol. 2298] If we are to continue the past historic pattern of increasing rates only upon contract expiration, it is obvious that we shall only be able to obtain the full benefit of whatever percentage increase is imposed over the full contract life cycle of approximately 5 years, and hence, in order to provide an adequate annual adjustment of operating ratios and cash increment, must make such percentage increase equal to about 5 times what it would be if we exercised the contract escalator clause and increased all contracts in service immediately. This possibility was discussed with Messrs. O'Brien and Brechbill on Monday, October 20, 1958, with Mr. Kobelt present during the course of the discussion. The sales view was elicited as favoring the smaller percentage increase to apply to all contracts at more frequent intervals, leaving aside all of the obvious and many considerations that must enter into any such major policy change. Neither O'Brien nor Brechbill were averse to a testing out of the policy change envisioned, though both were persuaded—and I believe they must be considered correct in this—that the time between now and the end of the year did not allow for working out all of the mechanics of effecting such change.

The transition would envision an arrangement under which the activation of the contract escalator clause would be handled pretty much as a clerical effort conducted either at the hands of accounting managers or cashiers or at the hands of a special division of the sales department devoted exclusively to contract renewals, leaving the time of the majority of salesmen to be devoted to the securing of new business. The discussion on October 20 bore on the difficulty of totally divorcing transactions affecting new and old subscribers, on the score that probably 20% of all our new business sprang from the sale of additional service to existing subscribers. Aside from difficulties attendant upon the change in the rate of commissions payable for new business in excluding the majority of salesmen from participation in commissions based upon contract renewals with increases in rate, both Messrs. O'Brien and Brechbill

had grave doubts as to the efficacy of treating contract increases on a simple bookkeeping basis, and inclined to the belief that, by and large, ADT's salesmen were looked upon by the subscriber as his own personal service representative and would view with resentment any attempt to place the matter of contract rate increases on an automatic basis.

Discussed too, were many difficulties that would be encountered arising out of the fact that existing contracts are either over or under minimum basic rates or contain spread fees or other unusual annual charges growing out of service peculiarities, all of which must be for consideration before the application of any flat percentage charge increase.

Both Messrs. O'Brien and Brechbill were very gravely concerned over the growing competitive aspect of the business, and offered the opinion that competition, currently, was having a major impact on the growth of service discontinuances. Reference was made at this point to the summary record of discontinuances for the first 9 months of 1957 and 1958, developed by reasons for each discontinuance and displayed monthly with the report of operations. This indicated that of a total of $385,000 increase in 1958 discontinuances over the total of discontinuances for the same period in 1957, only $23,000 was attributed to loss due to competition.

This turned the discussion to brief consideration as to whether or not discontinuance reports received from field offices in all cases contained the accurate reasons for the discontinuances. Mr. O'Brien, particularly, was skeptical [fol. 2299] of the results displayed for the first 9 months of the 2 years, on the basis that they did not seem to square with the reports of the violence of competition in many quarters as conveyed to him by the superintendents. This discussion resulted in a decision to make a spot check of the discontinuance reasons given to us by field offices, since it is impossible for us to take proper corrective action based upon improperly accumulated statistics.

As related by Mr. O'Brien, certain of our competitors appear to be getting quite ruthless in their attacks upon ADT existing business. It is said that our competitors go in to see many of our subscribers on an unsolicited basis,

offering gross reductions in annual service charges for an equivalent service, at the expiration of ADT's present agreements. The lack of subscriber solicitation always would be difficult to prove, but possibly could be verified. Perhaps, as opportunity affords, it might not be a bad idea to get together with Mr. Fritz, in discussion of measures that might be appropriate to meet any such form of proven competitive attack.

As above related, neither Messrs. O'Brien nor Brechbill was averse to attempting the radical change suggested, in the matter of the division of responsibility for securing new business and obtaining contract renewals, on a test basis, sometime in 1959, as all the details of effecting such transition had been carefully worked out. The test, in all practicality should be on a sample basis embracing either one town or one district.

Before leaving the subject of a relatively small percent increase in all existent contracts under the escalation of contract clause, the following tabulation is of interest in reflecting the approximate cumulative effect, through 1963 of a 2% contract escalation as compared with the cumulative cash deficiency shown in the statement of projected cash resources and their application:

Year	Cumulative Cash Deficiency	Cumulative Effect of 2% Escalation	
1959	$ 106	$ 430	215
1960	383	860	645
1961	1,725	1,390	1,075
1962	4,501	1,720	1,505
1963	8,939	2,150	1,935

Thousands omitted

Obviously, no such small percentage escalation could possibly be warranted to compensate for 5 year operating cost increases such as contemplated in our 5 year projection. Two things, however, are worthy of note. First, a simple 2% contract increase applied to all existing business would serve to overcome the projected cumulative cash deficiency, quite approximately, through 1961 and second, as might be expected, the small percentage increase would leave us far short of the cumulative cash deficiencies in the fourth and fifth years, all resulting from the cumulative effect of the assumed progressive cost increases.

As shown in Exhibit 2, it would take an increase of 5%

in annual advance service charges for *each* of the years 1959 to 1963, inclusive, to maintain annual operating ratios at about five year average and constant ratio, which, likewise, would provide sufficient cash to meet the cumulative expectant deficiencies. As will appear, over the 5 year period ending December 31, 1963, under this 5% annual [fol. 2300] price increase, gross revenues would increase $22,023,000 and the cash increment retained in the business approximately one-half this sum or $11,011,000, not inadequate to meet the cumulative $8,939,000 deficiency in cash resources, after the payment of dividends, having in mind the attrition from discontinuances, and the fact that never do we practically achieve the full percentage effect of any rate increase imposed.

Having regard to the admonition of the sales department respecting a growing resistance to ADT's past price increases, conveyed not alone in competitive reports, but also in the growing volume of discontinuances under the captions "Service Not Needed or Desired" and "Partial Discontinuance or Reduction in Rate," there was next developed a statement of increases in annual service charges imposed from 1946, to date, and estimating the necessity of 5% annual increases through the years 1959 to 1963, inclusive. Such statement appears as Exhibit 3, attached.

The cumulative effect of such increases totals 200.8%, at the close of the year 1957, which compares with an increase in the sum of all annual operating expenses of 201% between the years 1947 and 1957. Rate increases imposed throughout the years 1947 to 1957, inclusive, have then, exactly compensated for the total of overall annual operating expenses.

A check was made of cumulative increases made in average hourly wage rates from 1946 through 1957, inclusive. This, drawn from manufacturing division wage contracts with Local Union #3, showed the average hourly wage in 1946 to be $1.15 which, at December 31, 1957 averaged $2.10, an increase of 82%. It is singular to note that this is precisely the percentage increase in average hourly wage rates announced by the Ford Automobile Company in recent negotiations with the United Auto Workers. Without further investigation, it is believed that this 82% is about what would be reflected in our overall field office

wage adjustments, since these, habitually have been patterned closely upon our Local Union #3 settlements at New York.

The reason for a 201% overall increase in operating costs (and in price increases) between 1946 and 1957 is well displayed in the comparative statement of operating expenses shown in Exhibit 4, attached. That virtually exclusive wage accounts such as for operating department, plant department, accounting and executive departments, have increased from 125% to 133%, instead of the 82% average hourly wage adjustment is due to such influences as an increase in the volume of business conducted and in the inclusion of overtime premium rates of pay, lost time, and so forth. Among the predominating reasons for the 201% increase in operating costs, it will be noted, lies the 269% increase in sales expense, 214% increase in leased wire facility costs, 301% increase in depreciation of plant and equipment, attributable, jointly, to increase in the volume of subscribers' equipment in service and to the effect, in recent years, of the application of the sum-of-the-year's digits method of depreciating equipment. Extraneous operating items such as miscellaneous and local taxes, social security taxes and charges for relief department and pensions increased from 174% to 211%, all applied to fairly large annual expenditures.

The change in the accounting treatment of research and experimental expenditures, AFP contract costs and SS & [fol. 2301] WF actuating device installment purchases, between 1956 and 1957 accounted for 26.2% out of the total of 201.3% increase in gross operating expenses. Prior to 1954 research and experimental expenditures were, in part, capitalized and depreciated. Subsequently to 1954, therefore, depreciation expenses declined by reason of the reduction in capitalization of these expenditures, but we have not yet reached a point in the cycle where the reduction in depreciation expense is equal to the current expensing of research and experimental costs. Similarly, the inclusion of SS & WF device installment purchases in 1947 is offset by an identical increase in operating revenues as the result of the change in handling accorded in 1954.

These changes on the amount we are asking the subscriber to pay is worth some independent rationalization.

We have now to ask ourselves just how best to bridge the 5 year gap between cash income and outgo amounting to $8,939,000. This can only be done by an increase in prices, an increase in the volume of business without commensurate increases in costs which might also include a reduction in the volume of discontinuances, from a reduction in expenditures, or a combination of these things.

In view of the mounting evidence of resistance to price increases, the other possibilities should be first explored. It is rather unlikely that a $9,000,000 cash deficiency can be overcome, in any large part by an increase in the volume of business without commensurate increase in costs; one inevitably follows the other. Nor is it likely that there is a very great deal that we can do to influence such a reduction in the volume of discontinuances.

[J. A. MacDonald], Stipulation No. 1.

[fols. 2302-2303] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 174

MINNEAPOLIS

September 17, 1957.

Mr. L. J. O'Brien
General Sales Manager
New York, New York

Sales Production—Integrity of Service Charges

In connection with your letter of August 30, the analysis as far as Minneapolis District #7, was revealing to the extent that I was surprised to see our percentages were considerably higher than the national standards for all districts. When you consider the highly competitive situation in Milwaukee, and the various deterrents that we experience in selling automatic jobs in this city, the substandard percentages of Sales Representatives Miller, King and Bartz are understood and are self-explanatory.

In relation to the majority of the reasons for the differential (1) unable or unwilling to pay MBR and (3) compe-

tition—actually these two reasons are one and the same. In addition to the competitive operation of Merchants Police in Milwaukee, we have the Automatic Alarm Corporation in Minneapolis, who have been approved for central office operation (not yet established). In the Northern Wisconsin territory, the Notifier, Autocall, Sperling, etc., are very active, as they are also in the State of Iowa. So in effect, we have competition in the entire territory, and when you use the reason, unable or unwilling to pay MBR, usually in the background is the activity of the competitor, for half the cost that the ADT MBR represents.

There are, of course, degrees of the impingement of this competition which is fairly well demonstrated in the percentage of MBR secured. Where the competition is spotty, we are usually able to hold our annual service charge pretty close to one hundred per cent, and deal with the reaction of the potential subscriber as to too much money by adjusting the various service charges.

Renewals: we are of course getting greatly stiffened resistance to our MBR in negotiating continuation of the services presently established with old subscribers. The percentages involved will sometimes run as high as fifty per cent, and we have lately, even with some of our largest and financially strongest subscribers, met with the flat statement that twenty per cent over and above the existing rate is all that we could expect to get. This used to be pretty well confined to B.A. service, but now we are meeting it in all types of service. Price-wise, it definitely seems, judged by an analysis of the subscriber's reaction, that we have reached the saturation point in rates, i.e. present rates are deemed too high, particularly in this era of reducing overhead costs, and certainly the present MBR represents the ultimate which we have any possibility of selling.

E. Turnbull, District Sales Manager

ET:MT

JD, 9/18/57.